As of 11 a.m. ET **DJIA** 10578.44 ▲ 0.06% **FTSE 100** 5530.04 ▲ 0.14% **Nikkei 225** 10731.45 ▲ 0.46% **Shanghai Comp.** 3254.22 ▼ 0.85% **Hang Seng** 22416.67 ▲ 0.62% **Sensex** 17701.13 ▲ 0.08% **S&P/ASX 200** 4921.40 ▼ 0.06%

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Spending advocate tapped in Japan

Succeeding Fujii as finance minister, popular Kan may seek a weaker yen but worry investors concerned about debt

By Alison Tudor And Kenneth McCallum

TOKYO—Prime Minister Yukio Hatoyama on Wednesday tapped as finance minister a colorful, charismatic politician who advocates more spending, a weaker yen, and a less powerful bureaucracy to lift the economy. The move may lift the government's flagging popularity but spook investors who are jittery about Japan's swelling public debt.

Naoto Kan, one of Japan's most prominent and popular politicians of the past decade, will take over from Hirohisa Fujii, who lasted less than four months in office until resigning after being hospitalized for high blood pressure and fatigue.

During the brief tenure of the Hatoyama administration, Mr. Kan—who has held the title of deputy prime minister—has periodically tangled with fellow cabinet members, including Mr. Fujii.

Mr. Kan differed with some of Mr. Fujii's attempts to keep a check on stimulus spending, and has openly criticized the Bank of Japan for being insufficiently aggressive in attempting to curb deflation, remarks seen as challenging the central bank's independence.

Reporters surround Naoto Kan, a deputy prime minister and longtime politician, after his appointment as Japan's finance minister was announced in Tokyo Wednesday.

Reuters

"It remains a question whether Kan could show as strong a fiscal discipline as Fujii did," Masaaki Kanno, an analyst with J.P. Morgan Securities Japan, wrote in a note to clients. "Kan does not seem to have as good a background on economic and fiscal policy."

In a brief meeting with reporters after his appointment, Mr. Kan said: "Although I am still a fresh hand as a finance minister, I will do my best to fill the great void Fujii has left behind."

The announcement came Wednesday evening in Tokyo, after Japanese financial markets closed. In the hours after the news was released, the yen weakened slightly against the dollar.

Mr. Kan, 63 years old, was a civic activist before entering parliament three decades ago with a small left-leaning

Please turn to page 16

Dollar little threat to commodities

By Andrea Hotter

LONDON—A stronger dollar won't spell the end for the commodities rally, analysts say, because the world's economies are getting back on their feet, meaning that demand is likely to trump the impact of currency moves.

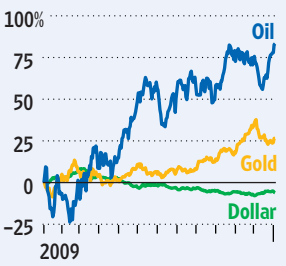
Commodities are priced in U.S. dollars, so a weaker dollar typically drives commodity prices higher. All things being equal, it takes more weaker dollars to buy the same amount of commodities.

But with perhaps the exception of gold, commodity prices are starting to shake off their inverse correlation to the dollar, moving higher irrespective of the greenback's gyrations.

"The supposed tie between a weak dollar and stronger commodity prices has been severed and...it may become the order of the day that commodity prices rise no matter what the dollar does," said independent economist and trader Dennis Gartman. "That is, we can see commodity prices rising when the dollar falls and we can see commodity prices rising when the dollar rises as well."

Seperate paths

Performance of gold and oil futures against the J.P. Morgan dollar index*



*Index of the dollar versus major U.S trading partners
Source: WSJ Market Data Group

That has been the case through December and into the first few days of trade in 2010. Prices of copper, an industrial metal used in housing and construction, gathered momentum through December despite a rebounding dollar, hitting 16-month highs above $7,600 a metric ton Wednesday in London and near an 18-month high late morning in New York. (Please see related article on page 25.) Similarly, oil has moved steadily higher and was trading near $82 a barrel Wednesday morning in New York.

Only gold, a hedge against inflation that is widely viewed more as a currency than a commodity, has performed as expected. It hit a record high of $1,226.30 a troy ounce on Dec. 3 in London before falling sharply. Wednesday morning in New York, gold for February delivery was trading at $1,130.80 an ounce.

"Commodities perform well in a weak-dollar environment, but they can still extract positive returns when the dollar is strengthening," said Michael Lewis of Deutsche Bank. "So it's not a sufficient condition that, just because the dollar is strengthening, commodity prices are going to have a problem."

The dollar played a central role in moves by commodity prices last year, with the carry

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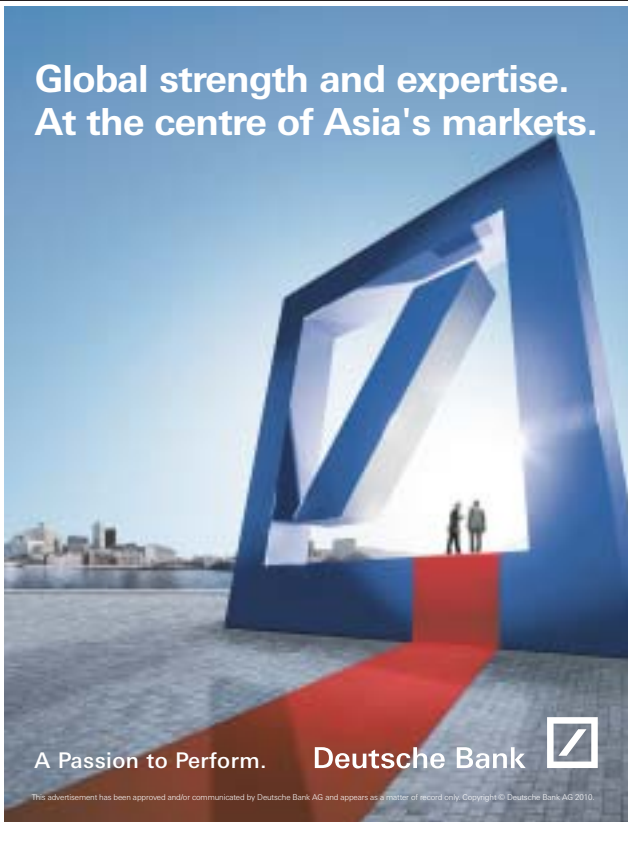
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* * *

Business & Finance

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■ **Copper traded near** an 18-month high as investor demand and weather-related buying outweighed bearish sentiment from easing production tensions. **25**

■ **Kumho Asiana creditors** agreed to freeze debt repayments at two affiliates for three months as the group restructures. **19**

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Associated Press

Indian paramilitary soldiers point toward a building where suspected Islamic militants were hiding during a gun battle Wednesday in Srinagar on the Indian side of Kashmir. A suicide bomber killed three Pakistani soldiers on the Pakistani-controlled side.

■ **Qantas and AirAsia said** they formed a cost-saving alliance as rival Tiger Airways prepares for its stock listing. **18**

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■ **The gap widened** between the euro zone's strong and weak economies at the end of 2009, with Germany's services sector racing ahead while Spain's service-sector contraction deepened.

■ **Marks & Spencer reported** a worse-than-expected rise in same-store sales and said 2010 would be a tough year. **20**

■ **Nintendo said U.S. sales** of its Wii game console rebounded in December and will likely exceed three million units. **20**

* * *

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■ **The retirements** of U.S. Democratic Sens. Dodd and Dorgan underscore what many in the party had already conceded: The prognosis for Democrats in the midterm elections is looking bad. **6**

■ **A $2.2 billion lawsuit** targets Beijing and several international computer makers, the latest twist in the Green Dam software saga. **3**

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■ **Amar Singh**, general secretary of India's Samajwadi Party, said he would step down from all party posts for health reasons. **5**

■ **A pair of air strikes** by U.S. drones killed at least 13 people in a region of northwestern Pakistan that is partly controlled by a Taliban faction believed to have aided in last week's attack on CIA officers in Afghanistan. **6**

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French director Pierre Morel has signed on to direct a new adaptation of Frank Herbert's sci-fi novel "Dune."

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WORLD NEWS

Court suspends ruling on 'Allah' use

Action is taken after motion by the Malaysian government, which is appealing judgment that has upset some Muslims

By James Hookway And Celine Fernandez

KUALA LUMPUR—Malaysia's High Court on Wednesday suspended its decision to let Roman Catholics use the word Allah in their local, Malay-language newspaper, reducing pressure on the government as it prepares its appeal against a ruling that has stirred unrest among some of the country's majority-Muslim population.

Separately, another Malaysian court charged an air force sergeant and a local businessman with stealing military jet engines in the latest corruption allegation hitting the government.

On Dec. 31, the High Court ruled that non-Muslims could use the Arabic word Allah, overturning a three-year government ban. The move has sparked spirited debate in Malaysia, where Muslim activists are planning protests on Friday. They contend that allowing non-Muslims to use the word Allah could sow confusion among Malaysia's Muslims and jeopardize relations between ethnic-Malays, who are Muslim by law, and other racial groups.

The Catholic Church in Malaysia, for its part, argued that Allah was the only acceptable translation for God in the Malay language, and that it has been used for centuries among Malay-speaking Christians, as well as Christians in Arabic-speaking countries in the Middle East. After the government ban was imposed, Christians often used the term Tuhan, or Lord, instead. The High Court's Dec. 31 ruling was widely seen as a victory for Malaysia's ethnic-Chinese, Indian and indigenous minorities.

Attorney General Abdul Gani Patail, who argued the government's motion for delaying implementation of the Dec. 31 ruling, welcomed Wednesday's suspension of the judgment. On Monday, the government filed an appeal against the ruling, and Mr. Abdul Gani said he hopes it can be heard quickly. "The faster the matter is settled, the better it will be for everybody in the country," he said. "As far as I am concerned it is a matter of national interest."

Associated Press; Agence France-Presse/Getty Images

Malaysian businessman Rajandran Prasad, left, and Air Force Sgt. N. Tharmendran were charged in a court near Kuala Lumpur on Wednesday in connection with the 2008 theft of two engines from military jets. Both men pleaded not guilty.

Separately, Malaysia's government stepped up its efforts to combat corruption by charging two men for their alleged involvement in the theft of two $14 million fighter jet engines. The heist—which took place in 2008 and was exposed last month in the local New Straits Times newspaper—involved stealing the engines while they were under repair and smuggling them to South America, Mr. Abdul Gani has said previously. It is unclear who ordered them or if the engines arrived there.

The heist has added to opposition concerns about corruption, and how it might be hindering Malaysia's recovery from the global recession. In 2009, the country got its lowest ranking to date in antigraft monitoring agency Transparency International's annual corruption perception index. Malaysia fell to 56th place among 180 countries from 47 in 2008. Competitors such as Indonesia and Vietnam have made substantial progress in reducing graft, according to the Transparency International rankings.

Prime Minister Najib Razak came to office in April 2009 with a goal of drastically reducing graft in the heavily state-controlled country. But his government faces accusations of corruption, including allegations that years of lax supervision at a government-backed port project resulted in huge cost overruns and debts of more than $1 billion. Senior opposition leader Lim Kit Siang has called for a royal inquiry into what he calls "rampant kleptocracy" in Malaysia. The government says it has put in place a three-year plan to root out graft, including making public the award of government contracts.

The Associated Press reported that Royal Malaysian Air Force Sgt. N. Tharmendran pleaded not guilty Wednesday to a charge of stealing the engines at a court in Selangor state, near Kuala Lumpur. If convicted, he faces up to 10 years in jail.

The court also charged local aeronautical company director Rajandran Prasad with helping to conceal the stolen jet engines, a charge that could result in up to seven years in prison. He also pleaded not guilty, the AP quoted his lawyer, Pritam Singh, as saying. The two accused couldn't be reached to comment.

Green Dam is named in U.S. piracy lawsuit

By Aaron Back

BEIJING—A $2.2 billion lawsuit that targets the Chinese government and several international computer makers is the latest twist in the saga of China's controversial Green Dam software, which last year was introduced to filter Internet content on individual computers.

The lawsuit, filed Tuesday by **Cybersitter** LLC, a California maker of parental-control software, alleges that Green Dam copied code from its filtering software. The complaint also alleges that China-based sources attempted to gain access to the private servers that held its proprietary material.

The case largely hinges on the applicability of U.S. copyright law to a product distributed almost exclusively in China. When Cybersitter first raised complaints that Green Dam appeared to have pirated coding from the U.S. concern's software last year, legal analysts said the company would face an uphill battle if the product was sold only in China.

But in an interview Wednesday, Gregory Fayer, an attorney at Gipson Hoffman & Pancione who is representing Santa Barbara, Calif.-based Cybersitter, said that China had, in fact, made the software available for download globally, and had even marketed the product to U.S. users.

"For some time on the government's official Green Dam Web site, there were links specifically targeting users in San Francisco and New York, which happen to be the largest Chinese-speaking populations in the U.S.," Mr. Fayer said.

The company alleges Green Dam copied more than 3,000 lines of code from its filtering software, a finding reported by independent researchers at the University of Michigan.

Calls to China's Ministry of Industry and Information Technology for comment on the suit, filed in Los Angeles federal court, were unanswered.

In the suit, the company alleges that "many thousands" of copies of the software have been downloaded in the U.S., including thousands in California alone. However, Cybersitter is claiming damages for all 56.5 million copies of the software distributed in China as of early June 2009. Its $2.2 billion damages claim is arrived at by multiplying that figure by $39.95, the price for a copy of Cybersitter's software to help parents screen Web content.

The company alleges that Green Dam copied more than 3,000 lines of code directly from its filtering software, a finding initially reported by independent researchers at the University of Michigan.

Cybersitter's suit also hinges on its argument that several global PC makers, which all have U.S. operations, colluded to offer the software even after being told it was pirated. Mr. Fayer said this allegation is separate from the complaint of copyright infringement by the software's Chinese designers.

"Here you have basically a Who's Who of computer makers that were conspiring with the Chinese government and the two Chinese software makers to disseminate software that they knew was illegal," he said.

The suit names as defendants China-based **Lenovo Group** and **Haier Group**, Japan-based **Sony** Corp. and **Toshiba** Corp., and Taiwan-based **Acer** Inc., **Asustek Computer** Inc., and **BenQ** Corp. Cybersitter, which was previously called Solid Oak Software Inc., sent cease-and-desist letters on June 15 to the PC makers, asking them to halt shipments of the software.

Cybersitter also alleges in its complaint that there have been thousands of attempts originating in China to gain access to its private servers, which hold all its proprietary code and information. The complaint said at least one such attempt originated from within a Chinese government agency.

The case is the latest controversy related to the Green Dam software, which China has said is intended to shield children from pornographic or violent content, but which critics say also blocks politically sensitive information and was part of Beijing's efforts to extend its Internet-censorship system into individual homes and offices.

In June 2009, China's Ministry of Industry and Information Technology set a July 1 deadline for the software to be installed on all PCs sold in China, but after an outpouring of dissent from industry groups and the general Chinese population, China indefinitely shelved those plans and made installation of the software voluntary for end users. For a while, some computer makers shipped the software along with PCs in China on a separate CD that users could install, but many no longer ship the software at all.

Representatives for Acer, Lenovo and BenQ all declined to comment on the suit, but said they are no longer shipping the software. Representatives for Toshiba and Asustek declined to comment. Haier and Sony didn't respond to requests to comment.

Since the Chinese government backed down on its requirement that Green Dam be shipped with every PC, controversy over the issue has died down. Analysts say a requirement to ship Green Dam is unlikely to resurface.

Duncan Clark, chairman of research firm BDA China, said the entire Green Dam issue is basically moot, even if the government has technically only delayed mandatory installation. "Bad policy never dies in China, it just slowly fades away," he said.

Officials at the two Chinese software developers behind Green Dam, **Zhengzhou Jinhui Computer System Engineering** Ltd. and **Beijing Dazheng Human Language Technology Academy** Ltd., weren't available to comment.

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Middle: Agence France-Presse/Getty Images; Left and right: Reuters

Hong Kong's government is considering the construction of a high-speed railway to Shenzhen, left, and Guangzhou, right, which has its own new high-speed link to central China's Wuhan, center.

Hong Kong mulls faster train to China

Government makes a last-minute push before Friday's vote; critics cite high cost, disruption to villages on the route

By Jonathan Cheng

HONG KONG—Lawmakers on Friday may decide whether a contentious US$8.6 billion railway that would connect Hong Kong to southern China's two most important cities will move forward.

Hong Kong's government pitches the railway as a key to more closely integrate itself into the mainland Chinese economy. It warns that Hong Kong could be hurt without a dedicated link to China's high-speed national rail network.

Approval isn't a certainty. Opposition to the express rail link has already delayed progress for months. Cost-conscious legislators point to an existing railway that runs below capacity.

The express train would stop in the city of Shenzhen just across Hong Kong's northern border. Then, it would travel to an outlying suburb of Guangzhou, southern China's traditional commercial and transport hub, in about 45 minutes.

The current service, which arrives in downtown Guangzhou, takes about two hours. With the completion of a high-speed line linking Guangzhou and Beijing set for 2013, government officials say a train ride from Hong Kong to Beijing could take about 10 hours, compared with about 24 hours now.

"There's a strong public consensus to get this project up and running as quickly as possible," Eva Cheng, Hong Kong's secretary for transport and housing said Tuesday in Guangzhou, noting that the faster traveling time would benefit the 660,000 Hong Kong residents who make the trip to mainland China at least once a week.

Hong Kong's chief executive, Donald Tsang, has made infrastructure spending one of the cornerstones of his economic policy. Mr. Tsang created a Development Bureau in 2007 to push ahead with 10 large-scale infrastructure projects before 2012, which he said would "lay a new foundation for our sustained development in the future."

The legislature has already approved about $1.2 billion to fund Hong Kong's portion of the world's longest oversea bridge, a 50-kilometer, six-lane highway to Macau and the mainland city of Zhuhai. Construction began in December.

Hong Kong's international airport, which opened in 1998, suffered from delays and cost overruns and wound up costing US$20 billion, including associated road, rail and bridge projects.

Funding for the new rail link was expected to have been approved in time for construction to have begun last year and finished in 2015. But opposition lawmakers pushed back the vote to the new year, arguing that the cost of $530 million for each mile of railway is out of proportion with the benefits to the economy.

Alan Leong, who sits on the legislative subcommittee reviewing the project, accused the government in an interview of trying to "bulldoze" its proposal through the legislature without a proper vetting, and without considering cheaper alternatives.

"We are all for the express rail to be expanded to Hong Kong," Mr. Leong says. But he says that the government's proposed terminus—in a newly reclaimed district called West Kowloon—is designed to benefit property developers who have built a cluster of luxury condominiums and office towers there. "This is driven by real-estate development considerations," Mr. Leong says.

The lawmaker says the cost of the express rail is "out of proportion" with that of comparable rail and infrastructure projects. "We have again set a world record," Mr. Leong said.

The government didn't respond to a request to comment.

Ms. Cheng said that most of the higher costs were driven by rising global commodity prices and extra engineering work required to address geological concerns. "If costs eventually come down, every penny will be returned to the public coffers," she said, urging lawmakers to approve the railway funding as soon as possible.

At the same time, villagers in a rural settlement that would be displaced by the construction have also mounted an increasingly vocal campaign to stop the railway. The villagers plan to step up their protest outside the legislature as the vote approaches.

Ms. Cheng said Tuesday that the government determined the route of the railway after careful consideration to minimize the impact on the public. The villagers will be offered a compensation package for resettling.

China researcher argues for 10% yuan gain

BEIJING—The debate over China's controversial currency policy is heating up, with a researcher at a local think tank saying that it is a good time for a 10% appreciation of the yuan.

Beijing remains concerned that a stronger yuan could set back the fragile recovery in China's export sector. But many economists inside and outside China think the currency's de facto dollar peg is also aggravating economic problems, such as the risk of asset bubbles and inflation.

"There's a very urgent need" for pushing forward changes to the exchange rate, and "now is the best time," said Zhang Bin, a research fellow at the Institute of World Economic and Politics under the Chinese Academy of Social Sciences. Mr. Zhang, who presented his essay at a local seminar on the economy, said a 10% one-off appreciation of the yuan against the dollar "would have limited impact on China's macroeconomy" and could deter inflows of speculative capital betting on future currency gains.

Mr. Zhang's essay doesn't represent the government's view, but it does suggest something of the range of options being debated among Chinese economists as policy makers look at how to head off inflationary pressures in a rapidly growing economy. "We haven't talked with the government about this. This is our own independent research," said He Fan, assistant director of the institute.

China's government has been vocal in its defense of a policy that has kept the yuan's value against the U.S. dollar basically unchanged since mid-2008. "Keeping the yuan's value basically steady is our contribution to the international community at a time when the world's major currencies have been devalued," Premier Wen Jiabao said last week. In a separate report Wednesday, the central bank repeated its standard language on keeping the currency's value stable.

Major trading partners like the U.S. and the European Union have been urging China to allow its currency to rise, arguing that keeping the yuan at an artificially low level is helping Chinese exporters at the expense of companies in other countries more hard-hit by the financial crisis.

Many economists still think a one-off appreciation of the yuan is unwise, unlikely, or both. Zhu Baoliang, an economist at the State Information Center, another government think tank, said that there is no need for a one-time yuan appreciation. He said the yuan's rise since 2005, when China first moved away from a strict targeting of the dollar, "hasn't solved the problem of trade surpluses."

Wensheng Peng, economist at Barclays Capital, argued that a one-off rise in the yuan wouldn't necessarily dent market expectations of future gains enough to end inflows of speculative money. These "are not sufficient reasons for a one-off yuan appreciation," he said. Mr. Peng said he expects the yuan to slowly rise against the dollar this year at an annual pace of 5%.

—Liu Li and Victoria Ruan

Steady rate

Effective exchange rate of the yuan against a basket of 58 currencies, year 2005=100

Source: Bank for International Settlements

Associated Press

A China Construction Bank clerk counts yuan bills last month in Nantong, in China's Jiangsu province.

WORLD NEWS: ASIA

Militants hit both sides in Kashmir

India and Pakistan saw surprise violence in the contentious border area of Kashmir on Wednesday as suspected Islamic militants engaged in a gun battle with police in Srinagar on the Indian side and a suicide bomber killed three Pakistani soldiers on the Pakistani-controlled side.

*By **Krishna Pokharel** in New Delhi and **Zahid Hussain** in Islamabad*

The Himalayan region has been relatively peaceful of late, and the incidents weren't expected to mark a return to sustained violence in an area that has become a flashpoint for terrorism and a source of tension between the two neighbors since the partition of India in 1947.

The suicide bomber struck a Pakistani army barracks, killing at least three soldiers and wounding 11 others. Pakistan police said the bomber detonated his explosives when stopped by security guards outside the facility near the border town of Rawalakot. The blast occurred as the soldiers were leaving their barracks in the morning, said Javed Iqbal, the chief of the regional police.

The western part of Kashmir, controlled by Pakistan, is home to several Islamic militant groups which have been involved in fighting Indian troops across the line of control that divides Kashmir. These groups, once patronized by Pakistani military intelligence, were outlawed in 2002 but have continued to operate under new banners. Some of the splinter groups have also been blamed for terrorist attacks in Pakistan.

There was no immediate claim of responsibility for the attack in Pakistan on Wednesday. A senior security official said the involvement of some elements of outlawed militant outfit couldn't be ruled out.

Police in Srinagar, summer capital of the Indian state of Jammu & Kashmir, were engaged in a gun battle with suspected militants that was still under way Wednesday evening in the city's crowded marketplace.

The militants threw grenades and opened fire on a contingent of paramilitary forces. One policeman was killed and two others injured.

Farooq Ahmad, an inspector-general of police in Srinagar, said the police had cordoned off Lal Chowk, the city's commercial hub, where the attack took place, and were closing in on "one or two militants who have reportedly holed up at a hotel in the area."

In India-ruled Kashmir, the last year saw the fewest deaths due to the insurgency since it escalated in 1990. The violence peaked in 2001, when more than 4,500 people were killed. Fatalities dropped to 377 in 2009, according to South Asia Terrorism Portal, a New Delhi-based research group.

Associated Press

Indian policemen run toward a gun battle in Srinagar on Wednesday, after militants attacked troops in the city's main market.

India opposition leader resigns his party posts

By Vibhuti Agarwal

NEW DELHI—A leading figure in one of India's largest regional parties said he will step down from all party posts, removing another high-profile opposition leader from India's political scene.

Amar Singh, general secretary of the Samajwadi Party, said he is resigning his posts on health grounds, but declined to be specific. Mr. Singh, 53 years old, who is in Dubai on a vacation, faxed his resignation to party chief Mulayam Singh Yadav.

"Family and health come first for me. The party wasn't around when I was ill. Doctors have advised me rest," Mr. Singh told television channels over the telephone Wednesday. A party official confirmed his resignation.

The Samajwadi Party won 22 parliamentary seats in the general elections last year, down from 38 in 2004. It played a crucial role in maintaining in power the last United Progressive Alliance coalition, led by the Congress party, by joining the government in the summer of 2008 after the left-wing parties withdrew their support. The leftists opposed the government's civilian nuclear-power accord with the U.S.

The SP, however, has been critical of the government's economic policies and isn't part of the government formed in June.

Mr. Singh's resignation comes at a time when India's opposition is in disarray and the Congress party is increasing its parliamentary standing in the national vote. In December, L.K. Advani, leader of India's main opposition Bharatiya Janata Party, resigned as party chief after the BJP lost parliamentary seats in elections.

Associated Press

Samajwadi Party's Amar Singh said he is resigning for health reasons.

Political analysts speculated that Mr. Singh may even support the Congress party now. The party official declined to comment on that and declined to make Mr. Singh available to comment, saying Mr. Singh would be back in India on Saturday. The Samajwadi Party's base is in the giant northern Indian state of Uttar Pradesh, where Congress has been resurgent.

"Amar Singh's strong connections and vote bank in Uttar Pradesh might benefit the Congress party, which is already on the rise in the state," said S. Chandrasekharan, director of the New Delhi-based South Asia Analysis Group. The Samajwadi Party's supporters are mainly Muslims and those low on the Hindu caste ladder.

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WORLD NEWS

Democrats take hit as senators exit

Dodd, Dorgan announce retirements in latest sign that party faces tough challenge in 2010 midterm elections

By Peter Wallsten And Naftali Bendavid

WASHINGTON—The retirements of two top Democratic senators underscore what many in the party had already conceded: The prognosis for Democrats in the 2010 midterm elections is looking bad.

In brief remarks Wednesday outside his home in East Haddam, Conn., Sen. Christopher Dodd confirmed he wouldn't seek re-election for a sixth term, bowing to political realities that see him trailing potential Republican opponents in a fall campaign.

Mr. Dodd, 65 years old, said his decision wasn't based on any predictions about the November elections, though the senator also acknowledged he is in "the toughest political shape" of his career.

Mr. Dodd's decision is the latest in a string of big-name Democratic retirements revealed this week as the party struggles to contend with a challenging political climate. Sen. Byron Dorgan of North Dakota said Tuesday that he, too, would retire after this year, unexpectedly saddling his fellow Democrats with a wide-open race that could be tough to win in a Republican-leaning state.

And Colorado Gov. Bill Ritter, viewed as a rising Democratic star after a 2006 election victory that laid the groundwork for a Democratic pickup there in the 2008 presidential race, said Wednesday that he wouldn't seek re-election.

The retirements underscore how sharply the political climate has turned against the majority party, which looked almost impregnable after the 2008 elections. With major initiatives such as the stimulus and the health-care overhaul unpopular, Democrats are looking increasingly vulnerable in the states that formed the basis of their new majority, particular places such as Colorado and Virginia.

The defensive mood could hurt fund raising and candidate recruitment and will likely force the White House to further scale back its ambitions.

Another setback came in Michigan, where the Democratic frontrunner for governor, Lt. Gov. John Cherry, said he wouldn't run. Mr. Cherry, strategists believe, was too closely associated with the state's unpopular Democratic Gov. Jennifer Granholm, who is blamed by many voters for a jobless rate that is far higher than the national average.

Associated Press

Associated Press

Democratic Sen. Christopher Dodd, above, announces his retirement Wednesday outside his home East Haddam, Conn. Right, Sen. Byron Dorgan (D., N.D.), shown Wednesday in Washington, also said he wouldn't seek another term.

The departure of Mr. Dodd, first elected to the Senate in 1980, carried the most symbolic value because of his seniority and his close association with the financial-system bailout and other economic policies. He has drawn criticism for backing a measure that allowed the embattled insurance giant American International Group Inc. to dole out bonuses to its executives.

Mr. Dodd, once closely associated with the insurance and hedge-fund industries, is one of the highest profile Democratic casualties of the financial crisis and its political fallout. Under fire for receiving what some charged was a sweetheart mortgage from Countrywide Financial, and for land deals in Ireland, Mr. Dodd had tried to reinvent himself as a populist, going after big banks and credit-card companies from his perch as chairman of the Senate banking committee.

Just three years ago, Mr. Dodd was planning a White House bid and was asserting himself as an expert on how to fix the economy. But in recent months he has fought prostate cancer, and, with the death of Sen. Edward Kennedy, lost his best friend in the Senate.

Mr. Dodd had been losing in polls to his potential Republican challengers, and some Democratic strategists speculated Tuesday that his retirement actually bolsters the party's chances of retaining the seat this year. There are strong candidates in the GOP primary, including former Rep. Rob Simmons and pro-wrestling executive Linda McMahon, who has said she would spend tens of millions of her own money to win the seat.

The state's Democratic attorney general, Richard Blumenthal, said Wednesday that he intended to be a candidate. "I will not be making a formal announcement today, but I do want to let people know about my plans," he told CNBC in an interview.

Democrats painted a silver lining in Mr. Dodd's retirement, arguing that Mr. Blumenthal had a stronger shot at the Senate seat.

Attention now moves to the House, where more than 10 Democratic House members have announced plans to retire.

A series of retirements can often foreshadow a bad year for a party, and Democrats acknowledge that the struggling economy, a conservative backlash against Obama administration policies—especially on health care—and other factors make it likely they will lose seats.

Democrats have been quick to point out that more Republicans than Democrats have announced their retirements so far in each chamber.

Every Senate race has taken on heightened significance this year, because Democrats' current majority of 60 votes, including two independents who usually side with them, is the minimum the party needs to break Republican filibusters.

The 60-vote majority has enabled Democrats to pass a health overhaul through the Senate despite unbroken opposition by Republicans.

Mr. Dorgan has been elected three times to the Senate, winning 68% of the vote in 2004, but had come under increasing pressure in recent months. Republicans say the retirement greatly boosts their chances of cutting into the Democrats' advantage in the chamber.

Mr. Dorgan, 67, has held public office since he was 26 and said he had intended to run again this year. But he concluded recently that he wanted to pursue other interests, including writing.

North Dakota Republicans had been encouraging the state's popular GOP governor, John Hoeven, to run against Mr. Dorgan. A Dec. 15 Rasmussen poll showed Mr. Hoeven, in a hypothetical match-up, with a significant lead over the senator.

Mr. Hoeven hasn't announced his intentions and the campaign hadn't begun in earnest.

Democrats quickly began looking for a viable candidate in North Dakota to run in what could be an uphill campaign. Party leaders believe that their best hope is Rep. Earl Pomeroy, North Dakota's sole House member. Mr. Pomeroy couldn't be reached to comment.

The most immediate impact on the congressional agenda will be on legislation designed to overhaul financial regulation, which falls to Mr. Dodd's banking committee. Mr. Dodd and the top Republican, Sen. Richard Shelby of Alabama, are at odds over the legislation and are attempting to negotiate a resolution.

U.S. strikes Taliban territory in Pakistan, kills 13

By Zahid Hussain

ISLAMABAD—A pair of airstrikes by U.S. drones killed at least 13 people in a region of northwestern Pakistan that is partly controlled by a Taliban faction believed to have aided last week's attack on CIA officers in neighboring Afghanistan.

Wednesday's missile strikes extended a series of attacks targeting militants in Pakistan's North Waziristan tribal area, a stronghold of the Taliban faction controlled by Sirajuddin Haqqani and his father, Jalaluddin.

In the first strike Wednesday, a drone fired two missiles at a compound in the Dattakhel village of North Waziristan, killing at least seven suspected militants, said a Pakistani security official.

The second strike, also from a drone, followed minutes later when the locals were digging the dead bodies from the rubble of the first, the official said. An additional six people were killed, the official said.

A Pakistani intelligence official said four of the victims were foreign nationals, but couldn't say where they came from. The Haqqanis are Afghan and they are believed by U.S. and Pakistani officials to have close ties to al Qaeda, which is primarily made up of Arabs.

The drone campaign remains classified, and officials rarely disclose the precise target of each strike. There was no official comment on Wednesday's strike from the U.S. or the Pakistani government, which publicly opposes the attacks but privately aids the campaign.

There has been a marked increase in U.S. drone strikes in Haqqani-controlled areas of North Waziristan since the Dec. 30 suicide bombing at an American base, Camp Chapman, in the neighboring Khost province of Afghanistan. The attack killed at least seven Central Intelligence Agency operatives.

Officials say the attack was carried out by an al Qaeda double agent from Jordan who CIA operatives were hoping would help them track down top leaders of the terror network.

U.S. and Pakistani military and intelligence officials say they believe the attack was aided by the Haqqanis.

"The attack may have been planned by al Qaeda, but it could not have been possible without the help of the Haqqani group," said Mahmood Shah, a retired Pakistani Brigadier who once served as security chief for Pakistan's Taliban-dominated tribal areas.

U.S. officials say the Haqqanis operate from North Waziristan and control parts of Khost. The U.S. has pressured Pakistan to move against the group.

Some Pakistani officials insist that if the Haqqanis have any presence in North Waziristan, it is minimal.

White House Photo

President Barack Obama met with his national-security team Tuesday in the Situation Room of the White House regarding the attempted Christmas Day airline bombing.

Obama says U.S. missed key clues

Facing heat from Republicans, president delivers more criticism of intelligence agencies on attempted airliner bombing

WASHINGTON—President Barack Obama, in his harshest remarks yet on the terrorism threat facing the nation, said U.S. intelligence agencies knew that al Qaeda in Yemen was targeting the U.S., but "failed to connect those dots" to thwart a Christmas Day bombing attempt.

The remarks capped a day in which the president, facing heat from Republicans over what they paint as a lackluster initial response, summoned most of his cabinet and security team to meetings on counterterrorism in an effort to show his administration's engagement on the issue.

*By **Jonathan Weisman**, **Siobhan Gorman** and **Evan Perez***

The early days of the year, in which the White House hoped to focus on jobs and the deficit, instead have been dominated by the fallout from the attempted bombing of the Northwest Airlines jet.

Evidence now shows that U.S. intelligence agencies knew before Christmas that al Qaeda in the Arabian Peninsula, the terrorist group centered in Yemen, not only wanted to strike U.S. assets in the region but planned to hit the U.S. itself, the president said. The suspect in the case, Umar Farouk Abdulmutallab, wasn't stopped even though he had conferred with a known Islamist extremist in Yemen, received a visa, bought a one-way ticket from Amsterdam to Detroit in cash and checked no luggage.

Mr. Obama didn't provide new security policies and didn't single out individuals in the administration for criticism or discipline. But he made his most direct criticism yet of U.S. intelligence performance, saying he will hold accountable "our intelligence, homeland security and law-enforcement systems, and the people in them.

"The bottom line is this: The U.S. government had sufficient information to have uncovered this plot and potentially disrupt the Christmas Day attack, but our intelligence community failed to connect those dots, which would have placed the suspect on the no-fly list," he said. "In other words, this was not a failure to collect intelligence; it was a failure to integrate and understand the intelligence that we already had."

Initial agency reviews of the incident will be completed this week, Mr. Obama said. He has requested "specific recommendations for corrective actions" that can be implemented immediately. Further steps to better integrate intelligence information and bolster airline-passenger screening will be announced in the coming days, the president said.

White House press secretary Robert Gibbs said Tuesday that the Federal Bureau of Investigation "gleaned usable, actionable intelligence" before Mr. Abdulmutallab reportedly clammed up. Mr. Gibbs wouldn't say what that intelligence was, but in recent days, Yemeni security forces have moved against targets in their country.

White House officials portrayed the president as furious with what he called intelligence lapses more than airline security flaws. The failure to tie together bits of intelligence into a clearer picture that should have stopped the plot came despite the creation of the Department of Homeland Security, the Directorate of National Intelligence and other entities in the wake of the Sept. 11, 2001, attacks.

"The president is as frustrated as I'm sure many American people are," Mr. Gibbs said. "We've spent a lot of money in the intervening years. We have set up new positions."

Congressional leaders served notice Tuesday that they intend to be involved in whatever new policies and procedures the administration adopts in response to the Northwest attack. Several House and Senate committees have announced plans to hold hearings on the issue.

Mr. Gibbs said the key players, Homeland Security Secretary Janet Napolitano, Director of National Intelligence Dennis Blair and Central Intelligence Agency Director Leon Panetta, still have the confidence of the president. But Rep. Peter King of New York, the ranking Republican on the House Homeland Security Committee, said he thought some officials could lose their jobs.

"For the last six to eight months there's been a feud between the [Director of National Intelligence] and the CIA, and that has to have a negative impact. These agencies are using their skills that should be used against the terrorists against each other," Mr. King said.

Mr. Blair vowed to do better. "The intelligence community received the president's message today—we got it, and we are moving forward to meet the new challenges," he said. The intelligence system should have prevented Mr. Abdulmutallab from boarding a U.S.-bound plane, he said. "We can and we must outthink, outwork and defeat the enemy's new ideas," he added.

The consensus from the preliminary reviews, one U.S. intelligence official said, is that the Christmas Day attack exposed a weakness in intelligence analysis: Information may be shared but disparate pieces of data aren't being assembled.

"In some ways it's a different problem than 9/11," the official said. "9/11 was a no-kidding failure to share [intelligence]. Here, you've got a lot of sharing but you don't have deep analytic expertise" on al Qaeda in the Arabian Peninsula plotting against the U.S. homeland.

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WEALTH

Satyam shareholders lick wounds a year after scandal

India's share market is thriving but investors' rights are anything but; for regulators, helpful cues from neighbors

Agence France-Presse

Satyam founder B. Ramalinga Raju shown in April being escorted from a jail in Hyderabad en route to a court appearance.

[Maximum Money]

By Shefali Anand

This week marks the one-year anniversary of India's largest corporate governance scandal in recent years—the fraud at Satyam Computer Services Ltd. Last January, Satyam founder B. Ramalinga Raju confessed to overstating his company's profits for several years and creating a fictitious cash balance of more than $1 billion. Mr. Raju is now in jail but that's little comfort to Satyam shareholders, some of whom are sitting on losses of more than 80% over the past three years, even as the broad stock market is up more than 30% over this period. Their plight highlights how little recourse Indian investors have when one of their investments turns out to be a fraudulent bust, even though the market continues to rake in money from Indians and foreigners alike.

"Today, if one is cheated in the securities market...there is no provision for seeking any compensation from the errant party," says Virendra Jain, director of Delhi-based nonprofit Midas Touch Investors Association.

Last year, Midas Touch approached the Supreme Court on behalf of 300,000 individual shareholders of Satyam to demand compensation of $108 billion from Satyam's promoters who founded the company, as well as its independent directors and statutory auditors, if they were found to be negligent in their duties. However, the court didn't admit the lawsuit and advised that it be withdrawn. The court gave no reason for this response. But for individual shareholders, that's pretty much the end of the road for now.

This outcome underscores the poor legal infrastructure for stock investors in emerging markets like India and China. While stocks in these countries have been soaring lately, the laws don't provide adequate remedies for investors to recover damages in case of fraud, and regulators aren't aggressive enough to pursue action on behalf of shareholders. Stock investors expect to bear the risk of market moves and the risk of a business success or failure, they don't expect to have to deal with deception and fraud, such as in the case of Satyam.

"Had the market crashed and [the stock] didn't pick up, I would still not feel betrayed," says Shanti Kumar, 50 years old, a Hyderabad-based former employee of Satyam, who invested a large part of her savings in Satyam stocks. Today, Ms. Kumar's investments are worth less than a fifth of what they were in late 2008, and she believes they may never go back to their peak values.

Indian regulators can take some cues from neighbors. In 2008, thousands of individuals in Hong Kong were facing massive losses when minibonds held by them, which were tied to **Lehman Brothers Holdings** Inc., became worthless. Investors claimed these bonds had been sold to them by banks as safe investments. Eventually, Hong Kong regulators forced the banks concerned to pay investors 60% to 70% of their original investments, setting a precedent.

In India, "where is justice?," questions Ms. Kumar. "I don't see visible action to put a fear of god into the people who're contemplating" fraud, she adds.

Satyam has often been called India's **Enron** Corp., in reference to the fraud at the American energy company in which executives conducted fictitious transactions to boost the company's finances. While the two cases are not strictly comparable, mainly because Enron went bankrupt and Satyam stock is still trading, albeit at a fraction of its peak price, it's worth considering what became of Enron's shareholders. They sued the company's bankers, directors and some auditors and eventually received various settlements from the involved parties, to the tune of $7.2 billion. This came to around one-third of investors' original investments.

Securities laws in the U.S. give shareholders the right to sue and recover damages from company directors and any officials who have profited by conducting fraud. But no such provision exists in Indian laws, say lawyers at international law firm **Nishith Desai Associates**. The maximum that can happen is the company official may be charged criminally and some penalty may be imposed by the Securities and Exchange Board of India. Midas Touch Investors Association had even approached the National Consumer Disputes Redressal Commission, the highest consumer protection court authority in India, for compensation in the Satyam case. However, the commission refused to entertain the petition saying that the Central Bureau of Investigation and Company Law Board were already aware of the Satyam fraud, says Mr. Jain of Midas. That was that.

Last year, **Tech Mahindra** bought a majority stake in Satyam, and the stock of the renamed company, Mahindra Satyam, has since doubled to around 110 rupees ($2.38) currently. Where the stock goes from here is dependent on the company's performance from here on, which some find tough to analyze at the moment. That's because Mahindra Satyam was given some leeway by regulators to not file detailed financial disclosures, which are needed to make a detailed analysis, says Anantha Narayan, head of equity research at **ICICI Securities** Ltd. ICICI isn't currently covering the stock.

For investors, the Satyam debacle serves up a few lessons. For one, pay attention to the actions of the founders and directors of the company whose stock you own. If they don't own a large portion of the company stock, or are actively selling as Satyam's Mr. Raju did in advance of his confession, it's a red flag. Second, don't concentrate in any stock, especially if you are working at that company. Satyam employees learned that the hard way. They got a lot of company stock as part of their pay package and many bought additional stock with their retirement savings..

Ms. Kumar of Satyam, who has now become wary of individual stocks, plans to consider mutual funds. Indeed, they are relatively safer, not because mutual fund managers are smarter—in fact, many of them also invested in Satyam—but because the impact of a loss should be ameliorated by gains in other stocks held by the fund.

WSJ.com

Online today: One year since the Satyam scandal rocked India, personal finance reporter Shefali Anand talks to WSJ's Anirban Roy about lessons learnt at **wsj.com/india**

Luxury logos still draw Asia shoppers

Bloomberg News

A Hong Kong shopper last month.

By Laura Santini

HONG KONG—Counterfeiting is often seen as the bane of luxury retailers—but it may drive well-heeled Asians to fixate more on name-brand logos than wealthy consumers in the West, according to market-research firm Synovate Ltd. in a study to be released Thursday delving into global attitudes about luxury brands.

In Hong Kong, where 68% of the study's participants said they preferred name-brand items, a brand logo helps overcome an assumption that a watch or handbag may be a copy instead of the genuine article, said Jill Telford, Synovate's chief executive. "The Chinese want people to know that they've got the real thing and it's not a fake," she said.

In contrast to the Hong Kong results, respondents in the U.S. and U.K. said they were more likely to choose goods without logos; only 36% and 33% of respondents in those markets, respectively, revealed a preference for luxury brands. The online study surveyed about 8,000 people in 11 markets—the U.S., Brazil, Canada, France, the Netherlands, Spain, Hong Kong, India, Taiwan, the United Arab Emirates and the U.K.

In India and the U.A.E., 79% and 58% of respondents also preferred name brands, according to the study's findings.

Varying preferences on labels also reflect differences between old money and new, said the survey's authors. Given that many wealthy Chinese only earned their riches in the previous decade or so, consumers there are eager to show their peers that they have ascended to a higher class, Ms. Telford said. A widely recognized logo serves as the clearest symbol of the wearer's success.

"If they don't recognize the brand, they don't walk through the door," agreed Linda Switzer, head of retail at Wynn Macau, a gambling resort on the island city-state. Mainland Chinese account for roughly 90% of the clientele at the hotel's two dozen upscale boutiques, which include Chanel, Prada and Louis Vuitton.

Hong Kong and Macau serve as magnets for mainland-Chinese consumers seeking to avoid double-digit duties at home. For Swiss luxury watchmaker Piaget, the shop at Wynn Macau is its most successful world-wide, said Ms. Switzer. Others, she said, "take in more dollars per square foot than in anywhere else in Asia."

Luxury brands also peddle their goods somewhat differently in Asia than they do in other parts of the world to take into account these different approaches, retail experts say. Attracting street traffic is much more important in China, where the luxury market is newer and draws younger buyers.

"In China, it's a little more democratic," said John Hooks, deputy chairman of **Armani Group**. "People will spend a lot of money for a special occasion, whereas in Europe and the U.S., it's usually a certain type of person," who goes for Armani.

In major European or U.S. cities, Armani typically operates a single "embassy" store that sells the Giorgio Armani luxury brand, and the company distributes other high-end fashion lines through upscale department stores. In China, Armani has two stores each in Beijing and Shanghai that exclusively sell the Giorgio Armani brand, with plans to open at least two more in Shanghai in coming months.

For all its products, which include Armani Jeans and its Armani Exchange casual brand, the company has approximately 45 free-standing stores in China, compared with about 25 in the U.S., its largest single-country market.

The study also sought to measure buyers' guilt when indulging in luxury acquisitions. In the U.S., about half of respondents said they felt guilty purchasing luxury goods. Americans most often defined luxury as "everything over and above what you need." In contrast, Indian respondents more commonly described luxury as "about quality" and "a lifestyle."

Nearly three-quarters of Indians responding to the survey said they don't feel guilty about splurging on luxury goods. Despite widespread poverty, Indians also tended to view luxury as a sign of the country's economic development, which eventually should benefit increasing numbers of Indians, said Mick Gordon, an India-based researcher at Synovate.

High-end auto makers eye India's wealthy

By Eric Bellman

NEW DELHI—While small, inexpensive cars are the stars of the India Auto Expo this week, luxury car makers have also parked their pricey fleets here. They are hoping to find more than a few buyers at the New Delhi event, which is expected to attract 1.8 million visitors.

Daimler AG's Mercedes-Benz, **BMW** AG, **Volkswagen** AG's Audi brand and Jaguar—now owned by India's **Tata Motors** Ltd.—have all put in big appearances at the show. Their models feature sticker prices often above $50,000 due to the 100% import duty slapped on cars brought from abroad.

Despite the growing number of millionaires in India, the luxury car market is still relatively small. Out of the 1.8 million passenger vehicles sold in India last year, only around 9,000 were high-end automobiles, said Peter Kronschnabl, president of BMW India.

"It is very, very small, which means there is pent-up demand" in the luxury car market, said Mr. Kronschnabl, who says he has been surprised by demand when BMW launches a new dealership or a new model here. "We think there is a real growth opportunity."

Mr. Kronschnabl projects the luxury car market will more than double in the next five years.

With an annual per capita income of less than $1,000, India wouldn't seem like a hot spot for vehicles aimed at high-net-worth individuals. But even a tiny sliver of the nation's giant population could be a lucrative new market for a luxury name.

BMW launched its X1 in India this week. After taxes and tariffs it will go for around $70,000. Among other top-of-the-line models introduced to the Indian market this week were the $120,000 Audi A7; Mercedes' big SUV, the GL350 CDI, with a sticker price of around $130,000; and the $85,000 Jaguar XJ.

Harley-Davidson Inc. of the U.S. appeared at the Auto Expo to unveil the first 12 of its motorcycle models it is bringing to India for the first time. The cheapest "hog," at around $13,000, is inexpensive enough for the aspiring upper-middle-class biker hoping for a taste of old Milwaukee machinery.

Harley hopes that once initiated into the American motorcycle gang, the Indian biker will open his wallet for Harleys that costs as much as $92,000.

"This is the last frontier," said Anoop Prakash, managing director of Harley-Davidson India.

A BMW executive predicted India's luxury-car market will more than double in the next five years.

Seen at the India Auto Expo, clockwise from top left: a recreated 1935 Audi 225 Front Special Roadster; Mercedes executive Wilfried Aulbur with the AMG Desert Gold concept car; Harley-Davidson motorcycles.

(Clockwise from top left) Associated Press (2); Bloomberg News

CURRENTS

The debate over the future of polar bears

Many biologists offer a bleak long-term outlook as habitat shrinks, but populations rise; Mr. Awa sees more than ever

By Phred Dvorak

The Toronto Star/Zuma Press

A polar bear and her cub walk on a melting ice floe in Canada's Baffin Bay in July. Inuit groups insist bears are thriving in the area, while scientists say numbers are declining.

Just how endangered is the polar bear? It depends on whom you ask.

The U.S. Fish and Wildlife Service—as well as many polar-bear biologists—say that global warming is destroying so much of the bears' icy habitat that the species could be nearly wiped out in the next 100 years. The U.S. is pushing to ban global trade in polar bears at an international meeting in March.

Canada says it has "considerable concern" over polar bears' future, but that it is unclear how much Arctic ice will be lost and what effect the melts will have on the wildlife that lives there.

Then there is Solomon Awa, a resident of Iqaluit in Canada's Arctic northeast, who like many Inuit is seeing more polar bears than ever when he goes hunting. "I've seen polar bears are not declining," says Mr. Awa. "Actually, there are increasing numbers."

The warring viewpoints highlight how divided the once tight-knit community of polar-bear experts has become as global warming focuses international attention and money on the plight of the bears. Scientists, governments and Inuit communities are feuding over whether polar-bear numbers are increasing or decreasing, whether they are in danger of extinction and, if they are, what to do about it.

In the latest salvo, the United Nations-administered organization that oversees trade in endangered species last month criticized the U.S.'s proposed polar-bear trade ban, noting that the proposal hadn't shown the bears to be in danger now or that stopping trade would help them if they were.

Sale of polar-bear skins for rugs and trophies accounts for the bulk of international trade in the bears, with an average of 216 hides a year exported from 1992 through 2006—mostly from Canada, according to the U.S. proposal. Canadian Inuit groups say the loss of such sales—at several thousand dollars per hide—could be devastating for Arctic communities that have few sources of income.

Canada issued a statement defending its polar-bear trade in mid-December. Yet the government also said it wouldn't give permits to export hides from the Baffin Bay region of the northeastern Arctic, a slap at Inuit groups that insist bears are thriving there and that hunting quotas shouldn't be lowered. Scientists say Baffin Bay bear numbers are falling.

Some of the disagreements stem from inherent challenges in tracking an animal whose range encompasses a territory the size of Russia. And it always has been tough reconciling the views of Inuit, who claim they know best what is happening on the ground, with those of scientists, who say they are the experts at parsing the data.

But in recent years, the differences in the polar-bear debate have sharpened, and the discussion is sometimes acrimonious.

Veteran polar-bear biologist Mitchell Taylor says he has been ostracized by former colleagues for his views that global warming isn't man-made, and therefore it is hard to predict what will happen to the climate or polar bears in the future.

"For the sake of polar bear conservation," Mr. Taylor's views "are extremely unhelpful," fellow polar-bear biologist Andrew Derocher, wrote in an email last year explaining why most of Mr. Taylor's colleagues wouldn't welcome him at an international meeting.

Mr. Taylor, in turn, has accused Mr. Derocher and others of twisting facts to make polar bears seem more endangered than they are. "That's what we lost in this whole debate—perspective," says Mr. Taylor.

Nearly everyone agrees that there are more polar bears now than when scientists first started counting: Estimates put the population between 20,000 and 25,000, up from several thousand 50 years ago. In Canada, where two-thirds of the world's bears live, most populations have grown during the past two or three decades. Arctic residents say they are now bumping into bears wherever they turn.

"A month ago I was down by my [hunting] camp and I saw five polar bears," says Harry Flaherty, chairman of the Nunavut Wildlife Management Board, who lives in Iqaluit. "They were so fat, they could barely move."

Mr. Flaherty and others argue that polar bears in general are doing just fine—indeed, their numbers could use some thinning. Last year, his board recommended that Inuit in the Baffin Bay region continue to be allowed a hunting quota of about 105 bears a year.

Not so fast, say many polar-bear researchers. Inuit might be seeing lots of bears now because melting ice is forcing them closer to places where people live. And there might be more bears now than 30 years ago because of limits on hunting, but several populations show signs of recent decline—particularly in the southern part of their range.

Climate warming is the main culprit, most scientists say. Polar bears live by fishing for seals atop ice that forms in the Arctic seas. When that ice melts in the summer, the bears move or come ashore and fast until ice forms again in the fall.

In recent years, the Arctic sea ice has been shrinking at the pace of 11% per decade, according to the U.S. National Snow and Ice Data Center in Boulder, Colo. In places like the western Hudson Bay, it is melting earlier and freezing later, making for skinnier, hungrier and ultimately fewer bears, scientists say. Although animals that live in colder areas are still doing well, global warming will eventually catch up to them too, says Mr. Derocher.

If sea ice melts at the rate some climatologists predict, polar bears could lose enough of their habitat in the next 40 years to see population decline by two-thirds, according to a 2007 U.S. government-sponsored study.

Neither the current count of bears nor the estimate of future population is foolproof.

Researchers scour the frozen seas by helicopter, tranquilizing and tagging every polar bear they see. Then they crunch the data to produce estimates of how many bears live in the area and how well they are surviving. Even the most thorough studies say their estimates could be off by hundreds of bears.

Mr. Derocher and others have lambasted the decision by a group of scientists that advises the Canadian government to hold off on elevating the bears' status to "threatened."

But Mr. Derocher and his colleagues believe the U.S. is going too far in asking for a global trade ban, which is generally implemented to protect endangered species. Polar bears are at risk of extinction in the future, not now, they say.

FROM PAGE ONE

Stronger dollar looks unlikely to derail commodity rally

Continued from first page

trade—in which investors borrow a low-yielding currency to buy other assets—contributing to the U.S. currency's weakness. With U.S. interest rates near zero, investors pursuing this strategy shifted asset allocations from cash to commodities, as well as to stocks and bonds.

But as brighter prospects for economic recovery have emerged in recent weeks, and thus expectations of higher U.S. interest rates, investors have been unwinding the carry trade and helping to drive up the dollar.

Few can deny that a demand recovery appears to be under way in commodities.

Economic growth in China, the world's largest consumer of commodities, paused only for breath last year. The country's latest purchasing-managers index data suggested the fourth quarter was the best since the onset of the economic crisis. And China's enormous government stimulus package kept the country's appetite for commodities intact even at the height of the downturn.

Countries such as Australia, Germany and Japan are all growing again. Even the U.S. economy, deemed to have been one of the hardest hit by the downturn, is starting to see a pickup; the U.S. manufacturing sector grew for a fifth consecutive month in December to end the year on a high, according to data this week from the Institute for Supply Management.

"It's these economic fundamentals that are going to underpin commodities prices, whereas last year a lot of [their strength] was the result of hot money and the weaker dollar," said Calyon's Robin Bhar.

According to Mr. Bhar, investors bought copper and oil last year to replace their dollars but will continue to buy this year no matter what the currency does. "You could argue that commodities in 2010 will come back to the fundamentals [of economic recovery]—if real end-use demand gets stronger, that's only going to help prices," he said.

If the world's major economies were to enter a double-dip recession, all bets would be off on stronger commodities demand. But analysts say that as long as major central banks don't increase interest rates too aggressively in the fight against inflation, the recovery in economic growth is likely to remain on track.

"As long as we don't get a big uptick in inflation, I think tightening by the U.S. Federal Reserve, stronger economic growth and rising equity markets will still be a pretty positive environment for a lot of commodities this year," said Deutsche Bank's Mr. Lewis.

The Ramzi Yousef Standard

The failed terrorist attack aboard Northwest Flight 253 is proving to be highly educational, not least about the Obama Administration and its pre-September 11 antiterror worldview. Tuesday, the White House reversed itself on repatriating Guantanamo detainees to chaotic Yemen, a step in the right direction. Now if it would only revisit its Ramzi Yousef standard for interrogating captured terrorists like Umar Farouk Abdulmutallab.

Ramzi Yousef, you may recall, was the mastermind of the first World Trade Center bombing in 1993 who is now serving a life sentence in a supermax prison in Colorado. The Obama Administration likes to cite his arrest, conviction and imprisonment as a model for its faith that the criminal justice system is the best way to handle terrorist detainees.

"Our courts and our juries, our citizens, are tough enough to convict terrorists. The record makes that clear," said President Obama last May 21 at the National Archives. "Ramzi Yousef tried to blow up the World Trade Center. He was convicted in our courts and is serving a life sentence in U.S. prisons."

On June 9, 2009, the Justice Department repeated the claim in a fact sheet arguing for handling terrorists in criminal courts:

"1993 World Trade Center Bombing: After two trials, in 1993 and 1997, six defendants were convicted and sentenced principally to life in prison for detonating a truck bomb in the garage of the World Trade Center, killing six people and injuring hundreds more. One of the defendants convicted at the second trial was Ramzi Yousef, the mastermind of the attack."

The World Trade Center trials were successful in winning convictions, and they were understandable because at the time we didn't understand the war we were in. But more than a decade later, the real news in these Administration statements is what they don't claim: whether Ramzi Yousef told U.S. interrogators anything of actionable value about al Qaeda and its future terror plans.

> The Administration has ways of making terrorists not talk.

We now know that when Yousef was captured, in 1995, al Qaeda leaders were working feverishly to attack American targets. Yousef's uncle is none other than Khalid Sheikh Mohammed, the mastermind of 9/11 and one of Yousef's co-conspirators in the failed Bojinka plot to blow up airliners across the Pacific Ocean.

Yet as far as we know, Yousef told U.S. interrogators little or nothing about KSM's plots and strategy once he was in U.S. custody. This isn't surprising, since once he was in the criminal justice system, Yousef was granted a lawyer and all the legal protections against cooperating with U.S. interrogators. To this day, we don't recall any official claim that Yousef has provided useful intelligence of the kind that KSM, Abu Zubaydah and other al Qaeda leaders later did when they were interrogated by the CIA.

All of this is directly relevant to the Administration's rash decision to indict Abdulmutallab on criminal charges immediately after his arrest in Detroit on Christmas weekend. The Nigerian jihadist could have been labeled an enemy combatant, detained indefinitely, and interrogated with a goal of discovering whom he had met in Yemen, whether other plots are underway, and much else that might be relevant to preventing the next terror attempt. This is a far higher priority than convicting Abdulmutallab and sending him to jail.

John Brennan, the top White House counterterrorism official, tried to defend the criminal indictment on the Sunday talk shows but mainly revealed the Administration's confusion about the law and the uses of interrogation. Asked by David Gregory on NBC's "Meet the Press" why Abdulmutallab wasn't named an enemy combatant, Mr. Brennan said, "Well, because, first of all, we're a country of laws, and what we're going to do is to make sure that we treat each individual case appropriately."

But there is nothing illegal about holding an enemy combatant indefinitely, as the Supreme Court has upheld and as the Obama Administration has argued in court.

When Mr. Gregory pressed about "additional intelligence that could be gleaned" by interrogation, Mr. Brennan replied:

"Well, first of all, we have different ways of obtaining information from individuals according to that criminal process. A lot of people, as they understand what they're facing and their lawyers recognize that there is advantage to talking to us in terms of plea agreements, we're going to pursue that. So—and we are continuing to look at ways that we can extract that information from him."

A *plea agreement*? Mr. Brennan seems to be saying that now that he has a public defender, Abdulmutallab has clammed up. But the Administration might be able to coax him to talk if it offers him a lower sentence or some kind of other legal concession, even though he tried to kill nearly 300 people aboard an American airliner.

In other words, because the Obama Administration is loath to interrogate terrorists outside the criminal justice system, our only lever to get them to talk is offering a legal reprieve. This is bizarre to say the least, and self-destructive if it turns out that Abdulmutallab has information that could help prevent future attacks.

Mr. Brennan's other defense on Sunday was that the Bush Administration also prosecuted terrorists as criminals on occasion, in particular shoe bomber Richard Reid and Zacarias Moussaoui. But Reid was captured only months after 9/11 when the system of military commissions wasn't in place, and Moussaoui's trial was a legal fiasco that took years to prosecute. In neither case did they provide intelligence that revealed anything close to what KSM did about al Qaeda.

The lesson of these cases, like that of Ramzi Yousef, is not that the criminal justice system can sometimes convict terrorists. It is that criminal prosecution is far less vital to U.S. security than is conducting the interrogations that can yield information that saves innocent lives.

The Politics of 'Allah'

God means love in many places, but in Malaysia it can also mean politics. That's the takeaway from the United Malays National Organization-led government's attempt to quash the use of the word "Allah" by non-Muslim groups.

At issue is the Catholic Herald's two-year court battle to use the A-word in its Malay-language edition—which it claims it needs to do because there's no other suitable word for "God" in Malay. Last week, the High Court overturned an arbitrary government ban. Yesterday, however, the church agreed to a stay of the decision—at the government's request—until the ruling can be appealed. So the Herald is once again muzzled.

Attorney-General Abdul Gani Patail characterized the decision as "a matter of national interest," which implies that somehow Muslims across Malaysia would revolt if the Herald were allowed to reference God in another language. Never mind that Malaysians of many faiths have peacefully co-existed for decades.

The real reason UMNO is politicizing the issue and pandering to its conservative base may be to deflect attention from its own political vulnerabilities. The opposition coalition, led by Anwar Ibrahim, has gained popularity by touting a vision of a secular country in which all religions have equal rights. Even the opposition's Islamic partner, the Pan-Malaysian Islamic Party—which hasn't always supported liberal ideas—issued a statement Monday saying that the Herald's use of "Allah" is its constitutional right.

Prime Minister Najib Razak called the A-word controversy a "sensitive issue" Sunday. But by allowing his party to continue curtailing freedom of speech, he is only stirring tensions. What a disappointment for a man who ran for office promising to create "One Malaysia."

Taiwan's U.S. Beef

Mad cow disease has claimed another victim: Taiwan President Ma Ying-jeou, who was for free trade in beef, until he was against it. Chalk the decision up to a political infection.

Scientists long ago proved that almost all U.S. beef is safe from the disease. Mr. Ma's administration and the one before it conducted independent tests and came to the same conclusion. In October, the Ma government signed a bilateral agreement that lifted all import bans on U.S. meat—a $128 million market and big step forward for re-establishing trust in an important trade relationship.

The legislative yuan partially reversed that decision Tuesday after the Taiwanese public, fanned by the opposition Democratic Progressive Party, took to the streets with concerns over U.S. beef. Yet instead of standing by the science and asking his cabinet to send the measure back to the legislature (the Taiwanese veto equivalent), Mr. Ma let the decision stand, saying he "respected" the legislative decision. Mr. Ma didn't have a lot of room to maneuver because the legislature passed the bill unanimously, but he could have spoken against the bill as irresponsible.

> Taipei's reversal on a trade deal with Washington has little to do with science.

The health of the U.S.-Taiwan trade relationship is the real cause for worry. The U.S. is Taiwan's third-largest trading partner. The beef dispute has already delayed trade talks scheduled in for February. Taiwan's minister of economic affairs said Tuesday that progress toward a broad bilateral free-trade agreement would be impeded by the delay. Congressmen Max Baucus (D., Mont.) and Chuck Grassley (R., Iowa), from big beef-producing states, have also voiced worries about the move, ensuring that it will become a U.S. political concern.

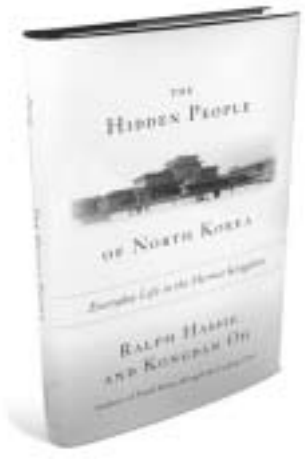
The legislature's rejection of science-based trade standards also sets a bad precedent for future negotiations with the U.S. and other trade partners. If Taipei can ban beef that it's already deemed safe, what else can it ban on a whim?

Mr. Ma would have done better to stand up for the agreement his administration signed, however unpopular that move might have been. That's what South Korean president Lee Myung-bak did in 2008, even when protests over U.S. beef nearly derailed his presidency. Mr. Ma's policy reversal has only confirmed critics who accuse him of lacking leadership—a high price to pay for a political beef.

OPINION

Finding Truth in the North Korean Fog

[Bookshelf]



The Hidden People of North Korea
By Ralph Hassig and Kongdan Oh
(Rowman & Littlefield, 300 pages, $39.95)

By Gordon G. Chang

Over the course of decades, no people have been more abused by their own leaders than the North Koreans. Kim Il Sung and Kim Jong Il, father-and-son dictators, kept their people cut off from the outside world so that they were free to regiment, impoverish and exploit them. "We must envelope our environment in a dense fog to prevent our enemies from learning anything about us," the younger Kim once said.

It's particularly welcome then that Ralph Hassig and Kongdan Oh, a husband and wife duo, have tried to penetrate this fog to examine the daily lives of 23 million souls in "The Hidden People of North Korea," a follow-up to their excellent earlier book, "North Korea through the Looking Glass." This is an ambitious task. To get at the real story, the authors have based their book on the accounts of those who have fled North Korea. Hundreds of thousands have risked their lives to leave their homeland, including one of Kim Jong Il's wives and several members of his extended family.

Mr. Hassig, a professor of psychology at the University of Maryland, and Ms. Oh, a Korean policy researcher at the Institute for Defense Analyses, provide a fascinating account of the political forces that have shaped the barriers between the Hermit Kingdom and the rest of the world. Kim Il Sung, the founder of the abhorrent regime, isolated his state after the Korean War by sealing borders and minimizing international commerce and diplomatic contacts. He further solidified his rule by instituting a rigorous system of social controls. For instance, all North Koreans were assigned to one of three classes and 51 subclasses according to their loyalty to the regime. He also established the most pervasive indoctrination program of modern times, creating a state religion around himself that far surpassed anything Stalin or Mao ever attempted.

Yet the book notes that as Kim eventually sank into "a comfortable semiretirement" in the 1970s, his regime started to break down. North Koreans, for one thing, began to learn of the outside world.

The inhabitants of the hermit kingdom have turned their backs on Kim Jong Il, and his fall is imminent.

In 1989, the World Festival of Youth and Students in Pyongyang was instrumental in bringing in new ideas and styles to the North as tens of thousands of visitors flooded the capital city. At about the same time, news about the collapse of communism in Eastern Europe and the Soviet Union "seeped" in, which led to a questioning of socialism, the basis of Kim's society. And with the cut-off in aid from big-power sponsors in the early 1990s, the North Korean economy tumbled.

As a result, the regime's elaborate system of controls broke down, especially after Kim died in 1994. North Koreans starved to death by the hundreds of thousands and perhaps millions. Those who survived, the authors note, did so by fending for themselves. Today, people raise pigs on their verandas in the cities or sell items in the "locust markets," unofficial gatherings of vendors who flee like locusts whenever inspectors show up. Some brave traders even cross back and forth between China and North Korea, eluding—or bribing—the border guards and making big profits from their illicit commerce. It's in these tales of everyday life that the book makes its greatest contribution.

North Koreans, due to the breakdown of the regime more than a decade ago, are thinking for themselves and acting on their own. In the face of such assertiveness, Kim Jong Il has tried to reconstitute state controls, what the book terms "the original social design." Yet his subjects, naturally, are resisting their leader's march into the past. The transition away from Kim family socialism has gone too far to stop, the authors write. "It is difficult, after all, to unify around failure," they correctly note.

Granted, relying on defectors' accounts can be problematic since they are a self-selective group and not necessarily representative of those who have chosen to stay behind. Nonetheless, the picture of North Korean life as depicted by the authors has a ring of authenticity and is consistent with accounts of aid workers who have traveled around the countryside. Many of them have also observed the marked change in the mentality of the people.

Although the book's arguments are mostly sound, the concluding chapter on political stability is the weak link. The authors contend that the country will change but not collapse: "North Korea appears to be a relatively stable society, and the Kim Jong Il regime, incompetent though it may be in running the economy, seems as secure as when Kim Il Sung was overseeing a growing economy in the 1960s."

It's true that the many predictions in the mid-1990s of the regime's quick demise—including the ones made by Mr. Hassig and Ms. Oh—proved to be wrong. But after spending more than 200 pages explaining how weak Kim Jong Il is, they seem off-base with this conclusion. The North Korean people, long denied any voice in their society, will decide the fate of the nation, and as this book convincingly shows in preceding pages, they have finally turned their back on the regime. The end of Kim's one-man state, therefore, seems only a matter of time.

Mr. Chang is the author of "Nuclear Showdown: North Korea Takes On the World" (Random House, 2006).

The Future on TV

[Business World]

By Holman W. Jenkins, Jr.

This may not be the year America cuts the cable cord and drops its subscription to pay TV. But it will likely be a year of sublime creative destruction in the home-video entertainment business.

Comcast's proposed acquisition of NBC has elicited the usual panic from the usual worrywarts wondering who will possibly be able to compete with the new cable-cum-programming giant.

A better question is: Who won't?

Dozens of players (including retailers and gadget makers) are entering what's called the "over the top" TV market, with nothing to lose and every reason to innovate in competition with each other.

The toughest hurdle has been connecting the television to a potentially bottomless supply of Internet programming in a way not daunting to the average viewer. Coming this year are TVs with direct Internet connections, which could change things fast. Of note is Best Buy's recent announcement that every Web-connected TV it sells will soon come with a subscription to a Best Buy library of entertainment. Sony has similar plans. Think Wal-Mart, Blockbuster and Disney won't be in the hunt?

Ditto the cablers themselves, who are burnishing a concept called "TV Everywhere" in hopes of satisfying your appetite for on-demand TV (while somehow keeping you paying your cable bills at the same time).

Yeah, right. The losers won't just be cable and satellite's existing business models. The losers will be Verizon and AT&T, whose Internet-powered television this column cheerleaded for. Too little, too late, too cablelike. Likewise, Sony and Microsoft, which have spent billions developing high-powered, Internet-connected game machines as Trojan horses in the living room, only to find the set-top box market suddenly crowded and perhaps obsolescing.

In this world, Fox Broadcasting's victory Friday in winning retransmission fees from Time Warner Cable might seem a case of one corpse feeding on another,

Getty Images

slightly healthier corpse. Broadcasters are supposed to be on suicide watch because they lack even cable's dual revenue streams (advertising and subscription). But the free-to-air TV distributors may yet have a card up their sleeves.

Nobody would mistake Qwest Communications, the former Baby Bell, for one of the winners of the telecom war of the '90s, but having not followed AT&T and Verizon into the TV business, its executives now are able to say freely that live-transmission TV doesn't make much sense in an on-demand world—that is, except news and sports, the only programming that large numbers of people are likely to want to consume at exactly the same moment.

It just so happens that over-the-air broadcasters, now that they have multiple, crystalline hi-def digital channels at their disposal, may prove the best way to deliver live programming over a given geographical area. After a recent column on this subject, several readers emailed to say they've already dropped cable and now get their video from a combination of free HDTV plus on-demand downloads from the likes of Netflix, iTunes or Amazon.

And surely one of Ben Bernanke's unenumerated green-shoots lately has been the unexpected surge in HDTV antenna sales since last year's digital switch. Look to Western Europe, where the digital transition began earlier. Viewers willing to rely on over-the-air digital broadcast TV have grown to 42 million from 31 million in three years, according to the International Television Expert Group. They are expected to hit 59 million in 2013. A new European standard-setting body called HbbTV (for hybrid broadcast-broadband TV) has even been launched to consecrate the wedding of on-demand and over-the-air.

One future wild card will be the strategies adopted by program creators. Will the established networks and studios fight to preserve cable's business model (while cutting themselves in for a bigger share of subscriber fees) or will they seize the broadband opportunity? To wit, the proposed tie-up between Comcast and NBC gives Comcast an ownership stake in Hulu, through which NBC, ABC and Fox jointly have experimented with bypassing cable to stream their shows directly to viewers. Now regulators will have to decide what Comcast's motivation is likely to be: snuffing a proto-cable competitor in its crib or developing Hulu's full potential? (Even Comcast probably doesn't know at this point.)

In the long run, we wouldn't care to bet which programming aggregator will be a winner, but here's a guess at what TV viewing will look in five years: You will point an iPhone-like device at the nearest screen in order to play any kind of video, whether stored on the device's own memory, downloaded from a third-party site or plucked from an over-the-air signal.

Somehow, too, programmers will get paid, or there won't be programming. One thing is also clear: If you're playing in this sandbox, there is no better leverage than owning rights to college and professional football, especially during bowl season.

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CORRECTIONS

The world record-holder for heaviest gold ring weighs 63 kilograms. Yesterday's editorial, "Of Burj and Babel," misreported the weight as 62 kilograms.

The percentage of total bank lending to individuals with superior credit scores in South Korea in July 2008 was 59.9%. A letter to the editor yesterday misstated the month.

OPINION

Chinese Censorship Equals Protectionism

By Fredrik Erixon And Hosuk Lee-Makiyama

Beijing's methods to censor the Internet are becoming ever more repressive. In recent weeks, at least 700 Web sites seem to have been shut down or blocked—on top of tens of thousands of foreign online services that already were inaccessible. Individuals have been banned from registering new domain names in China, and authorities are turning the heat up on existing domains. This is correctly viewed as a major free-speech problem, but that's only part of the damage Beijing is doing. Blocking the Internet blocks commerce and trade, and China's latest moves may well run afoul of its World Trade Organization commitments.

Freedom of speech violations aside, Beijing may also be violating its WTO obligations.

China has the highest number of online users in the world with 300 million, surpassing even the United States. That makes it among the most appealing markets for foreign technology companies. The new censorship drive fences off this market and reserves it only for government-registered actors that are politically reliable in the eyes of Beijing. The regulations apply just as much to Web sites outside China, which must now apply for a license from Chinese authorities to avoid being blocked.

This is the latest and most vigorous manifestation of an old phenomenon. For more than a decade, the so-called Great Firewall of China has restricted access to many common media sites and online services from abroad, especially search engines and user-generated content such as blogs, Twitter, YouTube or photo-sharing site Flickr. Now, though, it's reaching a point where the measures are attacking core business and revenues. Several international Web sites—like the Chinese and English versions of search engines Google and Bing, or email service providers Gmail and Hotmail—have been shut down by the authorities without much warning.

Beyond Web censorship, regulatory hurdles on technology are an increasing problem throughout China's economy. The importation of WiFi-equipped phones, routers and laptops capable of wirelessly surfing the Internet is forbidden; they feature encryption technologies that make eavesdropping more difficult for the authorities. Partly for this reason, Apple's iPhone came to China only in November, two years after it hit the rest of the world, and then without its signature WiFi capability.

Mobile applications are now also subject to censorship; for instance, China Mobile has stopped all sales of paid content until further notice. This is a market already worth 200 million yuan ($29 million) and should be steadily growing as smart phones like the iPhone and Blackberry start to gain traction. Meanwhile, Beijing attempted last July to force all manufacturers to install filtering software and a potential spyware program called Green Dam Youth Escort on computers shipped to China. This ostensibly was to block access to pornography, but could have made it easier for authorities to track politically sensitive communications, too. That proposal was withdrawn but is soon likely to resurface.

David G. Klein

Political censorship is the most obvious motive underpinning all these actions, but there is another: Online censorship has become a tool of industrial policy, effectively discriminating against foreign suppliers. The Chinese search engine Baidu has been untouched by the recent crackdown, despite producing similar search results to the blocked Google and Bing Web sites. There also have been reports that users entering Google's address in their browsers have been automatically rerouted to Baidu. Licensing requirements for Web sites help Beijing control the market share of companies like smaller private-sector travel agents or Internet-telephony companies like Skype that compete with larger Chinese companies with strong relationships to Beijing.

While human-rights activists continue pushing Beijing to ease its restrictions on free-speech rights, foreign governments also need to recognize the protectionist aspects of Chinese Web censorship and respond accordingly. China's online protectionism goes against its obligations under the WTO. When China acceded to the trade body in 2001, it agreed to give unlimited access and equal treatment to foreign-based or foreign-owned businesses in many categories of services, including online services. These services count as imports to which China is supposed to be opening itself, even if they are delivered over a wire instead of in a shipping crate.

While the WTO agreements allow countries to set their own standard for public morals and order, disguised protectionist measures are forbidden. Nor can China argue that it is using the measures that restrict trade the least, one standard for acceptability under the WTO. The Appellate Body, which is the final authority of WTO dispute settlement, has just turned down an appeal by China in a dispute over its restrictions on the distribution of U.S. printed books, films and music; Beijing is now forced to either open that market or face retaliatory tariffs.

If China does not change its Internet censorship practices, it is likely to soon face another WTO dispute. The online market in China is simply too big for Europe and the U.S. to let trade-distorting regulations pass without action. Victories at the WTO on this front would be wins both for commerce and for civil rights.

Messrs. Erixon and Lee-Makiyama are director and visiting fellow, respectively, of the European Centre for International Political Economy in Brussels.

Russia Takes Aim at Asteroids

By Michio Kaku

Anatoly Perminov, head of the Russian Space Agency, caught scientists off guard when he called for a closed meeting of Russian scientists to counter a killer asteroid headed our way. He said that a potential impact from the asteroid Apothis around 2036 could kill hundreds of thousands of people. Immediately this conjured up images of Bruce Willis and his space cowboys riding the Space Shuttle to blow up a comet in the movie "Armageddon." Scientists, realizing that the danger is slight but real, have in fact seriously proposed various ways in which to deflect the asteroid.

As asteroids go, Apophis is a whopper, measuring 1,000 feet across, about the size of the Rose Bowl. In 2029 it will make its first pass around the earth, so close that it will travel beneath our communication satellites. In fact, you might see it whiz by overhead with binoculars. Depending on how it whips around the earth, there is a slight chance it might actually hit the earth when it returns in 2036 (but the latest calculations only show a one in a hundred thousand chance of impact).

The Russians take such a threat seriously, since a "city buster" hit Tunguska, Siberia, in 1908, flattening about a thousand square miles of forest, destroying about 100 million trees, and leaving a huge scar in the Earth. The object that struck Siberia was probably only 100 feet across, yet it created a blast about 1,000 times greater than the Hiroshima bomb. The shock waves were so intense they were detected in Europe. It created a strange glow which spread over Asia and Europe so that you could read the London papers at night. If it had hit Moscow, it would have completely flattened that city and beyond. A city-buster like that happens once every 100-300 years, with most of them hitting the oceans.

A hit from Apothis, however, would be another story. It would be a "country buster," capable of creating fire storms, shock waves, and a rain of fiery debris that would destroy an area almost the size of France, or perhaps the entire Northeast of the U.S. The energy of the impact would be roughly 100,000 times that of the Hiroshima bomb. If it hits the Pacific Ocean, it could also generate a huge tidal wave, a gigantic wall of water that could swamp most coastal cities in the Americas and Asia. An impact from an Apophis-like asteroid is estimated to happen once in a thousand years. (The worst case scenario, however, would be an impact from a "planet buster" as little as six miles across, like the one that hit Mexico and probably wiped out the dinosaurs 65 million years ago.)

Plans to counter such a hypothetical threat, however, are sketchy. A staple of science fiction is to send the Space Shuttle to blow it up. Bad idea.

The dinosaurs never saw what hit them. We can do better.

First, this might only crack the asteroid, so you would have a swarm of deadly mini-asteroids headed your way. Second, the Space Shuttle can only circle the Earth; it is incapable of reaching deep space to intercept the asteroid. And it is going to be phased out this year anyway and a replacement won't be ready for about five years.

Several proposals made by scientists are currently being studied. One likely scenario is to nudge the asteroid while it is still in deep space so that it eventually misses the Earth. This deflection might be done via rockets to push the asteroid years before it passes the Earth. Or, the gravity of the spacecraft itself may be used to gently tug on its trajectory. Yet another proposal is to use mirrors and even paint to increase the pressure of sunlight so that, over decades, its trajectory is modified.

At present, none of the hardware for such a mission exists, so we will be helpless for years if a real threat emerges. And any serious proposal will require tens of billions of dollars, for new booster rockets and the complex machinery to deflect the asteroid.

But given these hard economic times, money is scarce even to maintain the current space program. The Augustine Report on the future of space travel, commissioned by NASA and presented to President Obama in October, stated that manned missions to the moon and Mars were "unsustainable" without a new injection of funds. However, it did leave open the possibility of landing on an asteroid. So one real possibility is to land a probe on the asteroid in 2029 so that scientists can study its properties as well as get a free ride through the solar system. We know so little about Apothis that it might be a solid object or just a loose collection of rocky debris held together by gravity.

Some conspiracy theorists have raised the dark possibility that any nation that can deflect an asteroid could also send it hurtling toward its enemies. But such a weapon is simply too unstable and unreliable to be taken seriously.

Indeed, scientists are applauding the Russian Space Agency for addressing the issue, even if the danger from Apophis is very slight. Sooner or later, we will face a catastrophic threat from space. Of all the possible threats, only a gigantic asteroid hit can destroy the entire planet. If we prepare now, we better our odds of survival. The dinosaurs never knew what hit them.

Mr. Kaku, a professor of theoretical physics at City College of New York, is the author of "Physics of the Impossible" (Doubleday, 2008) and host of "Sci Fi Science: Physics of the Impossible," on the Science Channel.

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IN DEPTH

New détente: Putin, tycoon rescue each other in crisis

With Kremlin's help and breaks from foreign lenders, Oleg Deripaska's sprawling empire survives; symbiotic relationship

ITAR-TASS

UC Rusal chairman Oleg Deripaska, left, and Russian Prime Minister Vladimir Putin in December 2008 during a visit to AvtoDizel's Yaroslavl Motor Factory in Yaroslavl, Russia.

By Gregory L. White
And Alexander Kolyandr
Moscow

SWAMPED with debt, Oleg Deripaska seemed the most likely of Russia's tycoons to fall victim to the financial crisis a year ago. Today he is on his way to preserving most of his sprawling empire, thanks to bailouts from the Kremlin and breaks from foreign lenders.

A month ago, Mr. Deripaska closed a deal to delay repayment of $7.4 billion in foreign loans. This week, he kicks off marketing for an initial public offering of **UC Rusal**, the aluminum giant that is the core of his holdings.

One key party has already committed to buying shares: a state bank whose chairman is Vladimir Putin.

Mr. Deripaska's experience underscores the strangely symbiotic relationship between Russia's oligarchs and a leader, Prime Minister Putin, who once threatened to eliminate them "as a class." It also helps explain how the oil-fired Putin regime has survived a financial and economic crisis that once appeared to threaten its foundation.

When the crisis struck in 2008, Russia's business elite were gripped by fears the Kremlin would take advantage of the debt-burdened tycoons' straits to grab prime assets. The crisis was likely to result in "massive redistribution of assets," one tycoon said at the time. Instead, whereas Western nations' bailouts have sometimes wiped out shareholders, the Russian authorities have so far taken care to protect the interests of the billionaires who control much of industry.

The waves of bankruptcies and nationalizations many here expected were judged too destabilizing to risk, according to government advisers. Keeping loyal oligarchs afloat has checked the political impact of the financial crisis by limiting layoffs. The tycoons, in turn, have obliged by sometimes playing the role of whipping boy on state television. Mr. Putin "needs there to be a multiplicity of oligarchs for him to keep power," said one person close to Rusal.

For all of his efforts to build up state companies and his tough talk about tycoons, Mr. Putin thus has relied on them to run many industrial complexes Russia inherited from the Soviet Union. Before the crisis, the most dynamic players, like Mr. Deripaska, became ambassadors for Russia's economic expansion, gobbling up assets overseas. Since then, the tycoons have provided the capitalist engine driving Mr. Putin's Kremlin-dominated system.

Exactly what Mr. Deripaska's relationship to the Kremlin is remains unclear. Both sides say it is purely business. But he is well-connected, with direct access to Mr. Putin and other top officials, according to people close to him.

Mr. Deripaska is often a member of the business delegation when Mr. Putin and Russian President Dmitry Medvedev travel abroad. The 42-year-old billionaire has been a big investor in Kremlin-backed projects such as the 2014 Winter Olympics in Sochi. He wins points for his efforts to save Soviet-era behemoths like the OAO **GAZ** auto factory and an aircraft maker.

Like the other remaining oligarchs, he studiously avoids independent political activity. For years, Russian officials from Mr. Putin on down have lobbied the U.S. to lift a ban on granting Mr. Deripaska a visa. Except for special permits arranged through the Federal Bureau of Investigation last year, the efforts have failed, amid what U.S. officials say are concerns about whether Mr. Deripaska has ties to organized crime. Canada also denied him visas twice under a law that covers "alleged criminality," Rusal disclosed in IPO documents last week. Mr. Deripaska denies any criminal ties and has never been charged with a crime.

In testimony in a suit pending in London, he has said former associates forced him to pay hundreds of millions of dollars in "protection" for his aluminum business in the 1990s. Other witnesses have testified that Mr. Deripaska continued to have friendly relationships with people he said had forced him to pay. The suit was brought by one of Mr. Deripaska's ex-associates, Mikhail Cherney, whose version of events is that Mr. Deripaska was his partner and owes him a 13% stake in Rusal; Mr. Deripaska disputes that.

The aluminum industry was one of the most lucrative in the chaos following the 1991 fall of the Soviet Union. By the end of the 1990s, Mr. Deripaska controlled a large chunk of the industry. Around the time Mr. Putin succeeded Boris Yeltsin as president in 2000, Mr. Deripaska began to diversify into autos, aviation, construction and finance. In 2001, he married Polina Yumasheva, whose father was a top Kremlin official under Mr. Yeltsin. Mr. Deripaska has said he doesn't derive political or business benefit from his marriage.

Mr. Deripaska bought out his partners in Rusal, which had ample cash flow thanks to rising metals prices and low taxes. Borrowing from foreign banks, he built up debts across his empire of nearly $30 billion.

But the financial crisis slashed the worth of assets against which he and other tycoons had borrowed. They faced huge demands from lenders for more collateral—margin calls they couldn't meet.

Creditors seized a 20% stake Mr. Deri-

IN DEPTH

RIA Novosti/Agence France-Pres

This week, Oleg Deripaska kicks off a road show for an initial public offering of UC Rusal, the aluminum giant that is the core of his holdings.

paska had acquired in Canadian auto-parts maker **Magna International** Inc. Rusal also faced the risk of losing a 25% interest it had bought near the top of the market in **OAO Norilsk Nickel.** Foreign banks that once rushed to lend to him now took a tough line. Some, as recipients of bailouts at home, dared not be seen as going easy on foreign clients, bankers say.

In the U.K., meanwhile, Mr. Deripaska found himself at the center of a controversy over whether Tory politicians had asked him for contributions when they visited him on his yacht off Corfu. All denied it.

Weighed down by their debts, oligarchs begged the Kremlin for help. Officials were sympathetic, fearing the loss of strategic assets to foreign banks. Days before banks' payment deadlines, **Vneshekonombank** (VEB), the Russian state bank where Mr. Putin is chairman, lent Rusal $4.5 billion to repay the foreigners. VEB also made loans to other oligarchs.

Business leaders worried the moves would turn into nationalization by stealth. The loans were for only a year. The fear was that if they couldn't be repaid when they came due, the state bank would claim the collateral. Mr. Deripaska hastily made peace with another tycoon with whom he had skirmished over control of Norilsk. The purpose was to keep the government from using the conflict as a pretext to gain control of the nickel company, people close to the men say.

As metals prices continued to fall, Mr. Deripaska's empire seemed the most vulnerable to seizure by creditors. One confidant recalls advising him to just "turn it all over to the state and do yoga for three years." Instead, Mr. Deripaska worked tirelessly to save his business. He took back the CEO role at Rusal, which he'd given up years earlier, and rushed to cut costs. He dismissed offers to sell assets at steep discounts.

In January, he and several other struggling oligarchs pitched the idea of merging their holdings into a metals giant that would be partly state-owned. The Kremlin wasn't interested. It figured minority stakes in the businesses would be of little benefit, say officials, while a full-scale takeover would threaten the fragile political balance among the various business families with ties to the Kremlin.

"Nobody's taking anything from anyone," said Igor Sechin, a powerful deputy prime minister and proponent of greater state control, in an interview later. Mr. Deripaska, Mr. Sechin added with a smile, "is very able, smart and educated, well-known in the world. Let him work."

The government instead put several of Mr. Deripaska's companies, including GAZ, on the list of businesses in line for state aid. Though Russian officials said it wasn't a bailout of oligarchs, analysts said that was what the aid amounted to. Mr. Deripaska has rejected the idea that he was bailed out.

For the government, preserving jobs was a key issue. Unemployment was surging, triggering fears of social unrest. By spring, state television was regularly covering the plight of laid-off or unpaid workers in one-company towns, highlighting the failure of the plants' owners to take care of employees.

At Pikalyovo, a small town near St. Petersburg, workers blocked a highway to protest layoffs and the cutoff of factory-provided hot water. Mr. Deripaska was just one of three tycoons who owned Pikalyovo's factories, but he got the bulk of the blame from state television.

Mr. Putin made a "surprise" visit in early June. TV coverage showed Mr. Deripaska looking like a penitent schoolboy as the prime minister ordered him to sign a contract restarting the plant, and then demanded the oligarch return his pen.

Insisting the plants be reopened, Mr. Putin told him and the other tycoons, "If you can't agree among yourselves, then we'll do it without you." Press commentators started talking of the looming end of Mr. Deripaska's career.

What TV didn't show was that even as Mr. Deripaska played the scapegoat in Mr. Putin's populist set piece, the tycoon was being well-rewarded. That same week, the Kremlin agreed in principle to extend its $4.5 billion loan for a year. And soon, authorities approved $600 million in subsidies to help GAZ restructure.

In addition, behind the scenes, Mr. Putin lobbied for a deal that would benefit the oligarch's GAZ factory, a Russian-backed takeover of **General Motors**' Opel AG unit. Mr. Deripaska later said the situation in Pikalyovo had been just a misunderstanding.

In his talks with foreign creditors, Mr. Deripaska's confidence showed. He refused to give ground in loan-restructuring talks. At the end of July, the banks agreed in principle to a deal that would give Rusal four extra years to repay its giant loans.

"The more loudly we were being buried, the easier it was to make deals with creditors," Mr. Deripaska told a Russian newspaper in September.

VEB, the state bank where Mr. Putin is chairman, pitched in. In October, it officially extended its $4.5 billion loan until October 2010. Though that was enough to take the pressure off Rusal—which continues to hold its stake in Norilsk, pledged on the loan—Mr. Deripaska had asked for more. In a letter to Mr. Putin, reviewed by The Wall Street Journal, Mr. Deripaska had sought a four-year term and reduced interest rate.

A spokesman for Mr. Putin said "there are reasonable limits" to the flexibility the government has shown to big business.

In the middle of last year, with global markets recovering, Rusal revived an IPO plan it had shelved in 2007.

Mr. Deripaska obtained special entry permits through the FBI that let him visit the U.S. in August and October. He discussed the IPO plan on Wall Street and went to Detroit to lobby for an Opel deal. (GM ultimately kept Opel.)

While some U.S. investment banks were leery about the Rusal IPO, it had no trouble finding underwriters. Mr. Deripaska went to China with Mr. Putin in October, lining up deals to sell Rusal's metal and pitching its shares.

Back in Moscow, on a day in mid-November, he sat for hours on a couch outside Mr. Putin's office in the prime minister's suburban residence, sending text messages as he waited for a meeting with Mr. Putin.

The patience paid off, as Mr. Putin approved a plan to invest about $700 million in Rusal's IPO through VEB, the state bank. Though the deal would give the government only a 3% stake, people close to it say it will be a huge boost to the public offering.

To make it possible, the government had to approve special rules allowing the investment, made with earnings from money the Kremlin earmarked for pensions. Russia's finance minister, Alexei Kudrin, hailed the deal as a good one for the government and a step to ensure that control at Rusal stayed with Mr. Deripaska. After the sale of 10.6% of Rusal's shares near the end of January, Mr. Deripaska's stake will fall to about 48% from 53% but he will remain in control.

A last-minute hangup delayed things. Regulators in Hong Kong, where the IPO is taking place, demanded assurances Rusal wouldn't be bankrupted by the $4.5 billion loan from VEB, the state bank, when it comes due in October 2010. Another Russian state-controlled bank came to the rescue. OAO **Sberbank** offered to refinance the loan for four more years, and is considering buying shares in the IPO as well.

Deripaska's empire

Though heavily indebted when the financial crisis struck, Russian tycoon Oleg Deripaska looks likely to hold on to his main assets.

Keeping

Rusal, aluminum (stake will fall to 48% after IPO but will retain control)

EuroSibEnergo, electricity

GAZ, autos

Aviakor, aircraft

Continental Management, forestry

Glavmosstroi, Transstroi, construction

Basel Cement

Ingosstrakh, insurance

Lost

Magna, auto parts (20% stake)

Strabag, construction (25% stake)

Hochtief, construction (10% stake)

LDV, trucks (controlling stake)

Bank Soyuz (75% stake sold)

KAP, Montenegro aluminum plant (stake reduced to below control)

Russneft, oil (regulators never approved purchase)

FROM PAGE ONE

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Yoshito Sengoku
Tapped as new strategy minister; 63 years old

- **1968**: Passed the national bar examination after studying at the University of Tokyo.
- **1971:** Started his career as a lawyer.
- **1990:** Gained a seat in the lower house as a member of the Japan Socialist Party.
- **1996:** Won a seat in the lower house as a member of the DPJ and served as the chairperson of policy research committee of DPJ.
- **2002:** Underwent surgery for stomach cancer.
- **2009:** State minister in charge of government revitalization and civil service reform

Naoto Kan
Tapped as new finance minister; 63 years old

- **1970**: Graduated with a degree in applied physics from the Tokyo Institute of Technology.
- **1971:** Passed the examination to become a patent attorney.
- **1980:** Gained a seat in the lower house for the first time as a member of Socialist Democratic Federation, a small left-leaning party.
- **1996:** Served as the minister of health and welfare in the Ryutaro Hashimoto cabinet, a coalition government led by the LDP. Mr. Kan was applauded by the public for getting bureaucrats to dig up documents that showed that the government was responsible for infecting thousands of hemophiliacs with HIV-tainted blood.
- **1998:** President of Democratic Party of Japan, then the leading opposition party (now ruling party).
- **2009:** Deputy prime minister, minister of state for national policy, minister of state for economic and fiscal policy, minister of state for science and technology policy.

Kan likely to push spending, weaker yen

Continued from first page

party. He shot to fame and popularity in the mid-1990s when, as health minister, he exposed the bureaucracy's responsibility for infecting thousands of hemophiliacs with HIV-tainted blood.

He has also had his share of political embarrassments. Mr. Kan once stepped down as head of the Democratic Party of Japan after he admitted failing to make contributions to a national pension plan. In atonement, he shaved his head, donned traditional Buddhist garb, and went on a pilgrimage to 88 rural temples. In a separate instance, his candidacy for presidency of the party, which he helped start in 1996, was damaged by reports he had an affair with a newscaster, which he denied.

Mr. Kan takes over the finance ministry at a time of big economic challenges for Japan, which has never fully recovered from the bursting of the financial and property bubble two decades ago. The economy recently fell back into deflation, economists are warning of a double-dip recession, and the country is on the verge of being eclipsed by China as the world's second-largest economy. The yen's persistent strength against the dollar has crimped exports. At the same time, Japan's large public debt—nearing 200% of GDP—has limited what the government can spend on fresh stimulus measures.

Mr. Kan also takes the helm at a difficult time for the Hatoyama administration, which took power with high hopes that it could steer a new path from the long-ruling Liberal Democratic Party, but has since floundered amid internal dissent and unclear policies to address the economic trouble.

Separately, Mr. Hatoyama appointed Yoshito Sengoku, state minister in charge of administrative reform, to the additional post of strategy minister. Mr. Sengoku, 63, had also been viewed as a potential successor to the finance post.

Analysts expect Mr. Kan, who has little government experience in economic policy, to refocus Japanese economic policy, making it more aggressive. "Kan's appointment makes it easier for the DPJ's elite to speak with one voice," said Ed Rogers, Tokyo-based adviser to Wolver Hill.

Reuters

Prime Minister Yukio Hatoyama made his first high-level personnel change since appointing his cabinet, in a move that could lift public approval of his government.

Mr. Kan is an outspoken advocate of interventionist economic policies and on the dangers of deflation.

Where Mr. Fujii was a strict advocate of limiting fiscal spending to try to reduce Japan's mammoth debt, Mr. Kan has indicated that he thinks a more flexible approach to fixing the country's budgetary woes is needed.

In November, for example, he said he didn't share Mr. Fujii's desire to keep new government bond issuance below a hard target of 44 trillion yen ($479.93 billion) for the fiscal year starting April. In the end, the government decided to make a target—but not a ceiling—of about 44 trillion yen.

While Mr. Fujii, at the start of his tenure, declared that a strong yen is in Japan's interest, and backed off from that stance only when the Japanese currency strengthened sharply, Mr. Kan said last month: "I am advocating a weak yen to a certain extent."

Mr. Kan has been one of the leading voices in Tokyo warning of the dangers of deflation, and has taken the unusual step of publicly prodding the Bank of Japan to take more aggressive measures to cushion the blow of falling prices.

"We want the BOJ to extend support on the monetary policy front in overcoming deflation," he told reporters shortly before one BOJ meeting. At an emergency meeting several days later, the central bank decided on an additional liquidity-provision measure that entails lending three-month funds at a fixed rate of 0.1%.

More broadly, Mr. Kan has been one of the most outspoken advocates of classic liberal interventionist economic policies. He has called for measures to curb the recent rise in economic inequality, and criticized LDP policies he said favored business over households.

"Your restructuring efforts resulted in wider (social) gaps," he said in a public debate last month with a top economic aide to a recent LDP administration. "The demand side is more important" than lifting the supply side, he added.

Mr. Kan has also been one of the government's most aggressive advocates of a new "environmental tax" to be imposed next year, even amid the weak economy, to reduce carbon emissions. He has evangelized about how an "Environmental New Deal" could lift Japan's economy by boosting production of more environmentally friendly technologies.

But Mr. Kan's biggest political passion has been less about specific policies than about changing the process of how Japanese government works, specifically shifting power from bureaucrats to politicians.

That was a central point of his battle over tainted blood with the Health Ministry more than a decade ago, and has been a recurring theme in speeches and writings.

Mr. Kan's main role in the Hatoyama administration has been to launch a new agency called the National Strategy Bureau specifically create to take budget-setting authority away from bureaucrats and put it into the hands of elected officials—a contrast with Mr. Fujii, who began his a career as a Finance Ministry official and has maintained a friendly relationship with the bureaucrats there.

Known as a strong debater, Mr. Kan was dubbed 'Ira-kan,' or irritating-Kan, early in his political career for his relentless attacks on the opposition party.

Mr. Kan showed a flash of temper last month when he publicly berated a fellow cabinet member for failing to attend a cabinet meeting on new stimulus measures. "I'd like him to share responsibility for the administration," Mr. Kan said, when he explained the criticism at a news conference.

Getty Images

Hirohisa Fujii, shown in December, resigned this week for health reasons.

The cabinet shift comes at a politically sensitive time for the government, whose popularity was well over 70% when Mr. Hatoyama first took office in mid-September, but slipped below 50% in recent public opinion polls. Mr. Hatoyama's inability to quell internal squabbling over economic policy was cited as a key reason for the drop.

"If the government's approval rating falls further, it could get very dangerous for Mr. Hatoyama," said Seiji Adachi, a senior economist at Deutsche Bank in Tokyo.

The appointment of a new finance minster is also an opportunity to re-engage disenchanted voters. Mr. Kan, despite periodic scandals, remains popular.

"Many Japanese people would applaud more stimulus because they are worried about deflation," said Mr. Adachi.

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Goldman to convert SMFG shares

The banks are ready to sever financial ties, though their business relationship won't change; bigger capital raising

By Atsuko Fukase And Kazuhiro Shimamura

TOKYO—**Sumitomo Mitsui Financial Group** Inc. may sever its financial ties with **Goldman Sachs Group** Inc. sometime this year, following a capital-raising effort that the Japanese bank said Wednesday could generate nearly $1 billion more than initially expected.

Japan's third-largest bank by assets said Goldman Sachs agreed to convert 100 billion yen ($1.09 billion) in SMFG preferred shares into common stock within a year. An executive said the banks won't have a capital relationship once the conversion is done, suggesting the U.S. bank will sell the common shares in SMFG as soon as it can.

Goldman Sachs confirmed the agreement but didn't provide any more details.

Bloomberg News

SMFG, the parent of Sumitomo Mitsui Banking Corp., said its latest share offer could raise about $9.7 billion.

The executive said the move wouldn't affect business ties between the two companies.

SMFG has a relationship with the U.S. investment bank dating to 1986, when SMFG predecessor Sumitomo Bank Ltd. bought a $500 million stake in the then capital-constrained private partnership. When Sumitomo in turn found itself short of cash in 2003, Goldman pumped $1.3 billion into the bank through preferred shares that are convertible into SMFG common stock.

The move is part of SMFG's efforts to meet expected capital needs and fund an international expansion.

The bank also released details of its plans to raise as much as 888.97 billion yen ($9.7 billion) by offering new shares in Japan and overseas. It had aimed to raise 800 billion yen, but a rise in the share price Tuesday helped boost the expected amount of the offering. In Tokyo, SMFG's shares rose 5.5% to 2,800 yen.

SMFG will issue 340 million common shares, 180 million of which are earmarked for overseas investors, representing about 36% of the bank's outstanding stock. It will set the offering price between Jan. 20 and 22.

SMFG plans to spend about 700 billion yen to expand in the Asian-Pacific region, including its wholesale brokerage business.

Galleon's Rajaratnam to face new indictment

By Susan Pulliam And Chad Bray

U.S. prosecutors, expanding a major insider-trading case, alleged for the first time that **Galleon Group** founder Raj Rajaratnam paid a tipster for inside information.

In a filing in Southern District of New York court, federal prosecutors said Mr. Rajaratnam, a high-profile hedge-fund manager, made the payment in 2006 to an unidentified source for a tip about an acquisition of ATI Technologies Inc. by **Advanced Micro Devices** Inc., reaping $19 million in profit.

Previous charges didn't assert that Mr. Rajaratnam paid for information.

The new allegation against Mr. Rajaratnam is part of a sprawling investigation that has ensnared 21 individuals, including hedge-fund managers and executives at large technology companies. Mr. Rajaratnam was indicted Dec. 15 on charges of insider trading and has pleaded not guilty. Previous charges alleged Mr. Rajaratnam exchanged inside data with other sources and recipients of tips, but didn't assert that he paid for information.

John Dowd, Mr. Rajaratnam's lawyer, denied that his client paid a source for information on the ATI deal. He said information about an acquisition of ATI by AMD was public before the announcement in July. "An analyst's prediction that AMD would acquire ATI was widely reported in the press more than seven weeks before the acquisition was announced," Mr. Dowd said.

The $19 million in profit the U.S. alleges Mr. Rajaratnam made on the ATI tip eclipses the total of $17 million he allegedly reaped from the previous insider tips.

Tuesday's court filing, related to a motion by Mr. Rajaratnam's lawyers to reduce his $100 million bail, says Mr. Rajaratnam bought shares of ATI securities for the Galleon Technology Funds in advance of the acquisition, which was announced in July 2006. The payment was to a source to whom Mr. Rajaratnam had begun making "large payments in exchange for inside information in or about 2004," the U.S. said.

The filing didn't quantify the payment or say whether the tipper was an employee at either company or worked at an outside company that had access to information about the deal. A decision on whether to lower Mr. Rajaratnam's bail hasn't been made; the government is arguing that Mr. Rajaratnam should be sent to jail to await trial.

The government previously alleged that others in the insider-trading investigation made payments to sources in exchange for information.

Mr. Rajaratnam previously was alleged to have exchanged information with his sources and, in one instance, to have traded stocks on be-

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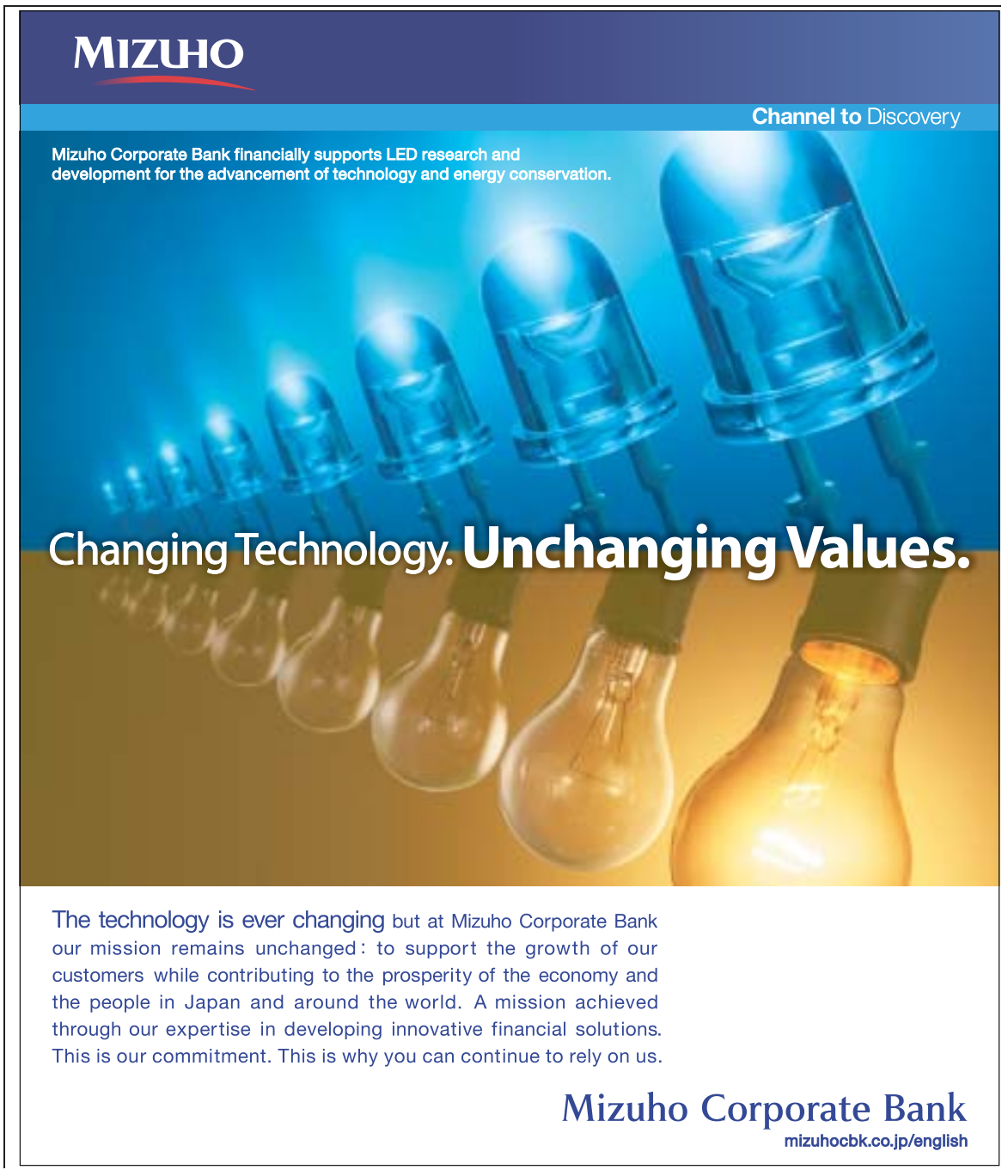
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Mizuho Corporate Bank
mizuhocbk.co.jp/english

Agence France-Presse/Getty Images

JetStar Chief Executive Bruce Buchanan, AirAsia CEO Tony Fernandes and Qantas chief Alan Joyce after announcing their alliance on Wednesday.

Qantas, AirAsia form alliance

By Bill Lindsay

SYDNEY—**Qantas Airways** Ltd.'s Jetstar cut-price unit and Malaysian discount carrier **AirAsia** Bhd. on Wednesday said they have formed an alliance aimed at cutting costs and pooling expertise, putting pressure on rival Tiger Airways as it begins preparing for its planned listing later this month.

The nonequity alliance between the Asia-Pacific region's two largest discount carriers by revenue, which already cooperate in some operational areas, comes after more than a year of talks. It will potentially be expanded to incorporate aircraft-procurement and revenue-sharing deals, the two airlines said.

The agreement is an "important first step," said Jetstar Chief Executive Bruce Buchanan, and could result in costs savings "in the hundreds of millions of dollars" that would be "phased in over many years."

The airlines plan to cooperate on passenger and ground handling in Australia and Asia at airports they both serve, to pool their inventories of aircraft components and spare parts, and to work toward joint procurement of engineering and maintenance supplies and services.

They also aim to use their combined scale to help influence the design of the next generation of narrow-body aircraft from both Boeing Co. and European Aeronautic Defence & Space Co.'s Airbus unit, and secure more purchasing power via joint procurement orders.

With the initial focus on cost reductions, Qantas Chief Executive Alan Joyce said no major regulatory approvals were expected to be required. If it was expanded to include revenue measures such as code sharing and joint ventures on flights, it would be subject to more rigorous scrutiny, he said.

"The aviation market in Asia is a growth market and has proven resilient over the past 12 months, despite the tough operating environment, with significant growth in passenger numbers forecast in the region," Mr. Joyce said.

"This partnership will ensure that both airlines can capitalize on these growth opportunities," giving them a "natural advantage," to keep their fares lower than their main competitors, he said.

Through its domestic and international discount networks, and its stakes in Singapore-based Jetstar Asia and Vietnam-based Jetstar Pacific airlines, Jetstar operates about 1,900 weekly flights to more than 50 destinations in Australia, New Zealand and the Asia-Pacific region.

AirAsia, based in Kuala Lumpur, Malaysia, is the Asia-Pacific region's largest low-cost carrier, with more than 400 daily flights to over 60 Malaysian and international destinations. It also has hubs in Thailand and Indonesia.

Its affiliate long-haul carrier AirAsiaX serves destinations more than four flight hours away, including cities in Australia, the U.K. and China.

News of the agreement comes as Tiger Airways, 49%-owned by **Singapore Airlines** Ltd., began an investor roadshow to gauge demand for its planned Singapore stock listing on Jan. 22.

Tiger is hoping to raise as much as $273 million Singapore dollars (US$195.4 million).

It has priced its initial public offering between S$1.35 and S$1.65 a share.

The airline plans to use proceeds to help fund the quadrupling of its fleet of 17 Airbus A320 aircraft by December 2015 and to potentially establish a new airline or fourth operating base.

IG Markets analyst Ben Potter said the tie-up shows both management teams are "thinking outside the box" to ensure they remain leaders in the region.

"The Asia-Pacific region is one of the biggest growth markets in aviation, so any ways to further reduce costs and offer more competitive fares will benefit both shareholders and customers," he said.

—Lyndal McFarland in Melbourne, Australia, contributed to this article.

Cadbury price slips closer to Kraft's bid

By Michael Carolan

LONDON—**Cadbury** PLC shares slipped to within pennies of **Kraft Foods** Inc.'s offer price Wednesday as hopes of a vastly improved offer from the U.S. food giant receded.

Following a 3.2% drop in Cadbury shares on Tuesday, the stock was down another 0.8%, or 7 pence, to 772 pence ($12.35) in afternoon trading Wednesday in London.

Kraft's cash-and-share offer—comprising part cash and part stock—as of Tuesday valued the Dairy Milk maker at £10.5 billion ($16.3 billion), or 765 pence a share.

The shares—which for months had been trading far higher than Kraft's hostile takeover offer—began falling Tuesday on two separate bits of news.

First, **Nestlé** SA ruled itself out as a competing suitor for Cadbury, damping hopes of an offer to rival Kraft's.

Then, later in the day on Tuesday, Kraft's largest shareholder, Warren Buffett, publicly warned the U.S. food company's management against overpaying for the U.K. confectioner.

Mr. Buffett's warning, and his pledge to vote against a Kraft proposal to issue 370 million shares to fund the deal, may have put a cap on the amount Kraft can pay.

Analysts and investors had been hoping for a higher offer from Kraft of up to 900 pence a share. Any revised offer is now thought unlikely to go far above 800 pence.

"Cadbury's management may have increased the probability of remaining independent but the potential for a major advance on Kraft's original offer may also be losing momentum," said Clive Black of Shore Capital.

Fluctuations in exchange rates and Kraft's own share price has seen the value of the offer dip as low as 712 pence in recent weeks. Mr. Buffett's intervention on Tuesday—through his **Berkshire Hathaway** Inc. investment company— sent Kraft shares almost 5% higher as concerns the company would overpay abated.

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Businesses

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Corrections & Amplifications

BP PLC's solar unit has partially closed a Maryland plant. A Dec. 16 front-page article about alternative energy in China incorrectly said BP Solar was stopping all output at its Maryland facility.

Kumho creditors back debt overhaul

By Kyong-Ae Choi And Shin Jung-Won

SEOUL—Creditors of cash-strapped Kumho Asiana Group agreed Wednesday to freeze for three months debt repayments at affiliates **Kumho Industrial** Co. and **Kumho Tire** Co., a move intended to give the conglomerate time to carry out a restructuring program.

A majority of Kumho Industrial and Kumho Tire creditors approved a plan to put the two companies under a debt-workout, or -rescheduling, program, an official at main creditor **Korea Development Bank** said Wednesday.

"It usually takes about four months for creditors to carry out due diligence on a company under debt workout, but [creditors] aim to finish it in two months to speed up Kumho Asiana's restructuring," the KDB official said.

Creditors are likely to have several rounds of discussions to draw up detailed plans for Kumho Industrial and Kumho Tire, he said.

Typically, a company in a debt-workout program will undergo a capital reduction and a debt-for-equity swap. Creditors will then look to sell the company to a third party, another KDB official said.

Kumho Asiana, which has airline, logistics and construction businesses, is South Korea's eighth-largest conglomerate by assets.

Reuters

Debt repayments are to be frozen at two Kumho Asiana affiliates. Above, one of the conglomerate's offices in Seoul.

On Tuesday, the group unveiled a restructuring program in an effort to ease liquidity problems. Kumho Asiana plans to raise at least 1.3 trillion won, or $1.14 billion, through asset sales and trim the number of executives.

The group's debt totals 15.7 trillion won, including 1.4 trillion won at Kumho Tire and 1.6 trillion won at Kumho Industrial.

The workout program "will likely help these firms shake off bad assets, which is good for these stocks," said Lee Jae-mahn, an analyst at Tong Yang Securities.

Shares in Kumho Tire and Kumho Industrial rose Wednesday. Kumho Industrial gained 0.5% to 6,060 won, while Kumho Tire climbed 0.2% to 3,070 won.

Still, uncertainties linger over the group's fate. The start of the debt workout for the two affiliates is just an initial step to fully resolve financial problems at Kumho Asiana, said Woori Investment & Securities analyst Louis Shin.

The conglomerate also held talks Tuesday over whether to delay debt repayments for two other affiliates, **Korea Kumho Petrochemical** Co. and **Asiana Airlines** Inc.

Meanwhile, state-run KDB is offering investors in **Daewoo Engineering & Construction** Co. 18,000 won a share plus the option of shares in other Kumho Asiana companies in exchange for their stake in the construction company, a person familiar with the matter said Wednesday. Daewoo Engineering & Construction is the construction unit of Kumho Asiana.

Last month, Kumho Asiana said it will sell a controlling stake in Daewoo Engineering to a private-equity fund led by KDB for $2.5 billion to help ease the group's financial woes. Kumho Asiana said the KDB-led fund will buy a 50% stake, plus one share, in Daewoo Engineering for 18,000 won a share.

The investors in Daewoo Engineering, however, have put options that allow them to sell back their stake in the construction company to Kumho Asiana at 32,000 won a share. Daewoo Engineering shares closed at 12,800 won Wednesday.

"The discussions between KDB and the financial investors now center on how to value the differential between 32,000 won and 18,000 and translate that into a stake in another company," said the person familiar with the matter.

The sale of Daewoo Engineering will help Kumho Asiana reduce the debt it took on to buy the construction company. A Kumho Asiana-led consortium bought a 72% stake in Daewoo Engineering for 6.426 trillion won in December 2006.

—Nisha Gopalan in Hong Kong contributed to this article.

San Miguel boosts ties to its biggest investor

By Cris Larano

MANILA—**San Miguel** Corp. said Wednesday it will acquire 49% of **Top Frontier Holdings** Inc. to secure control of the investment holding firm, which is emerging as San Miguel's biggest stockholder.

The transaction tightens the ties between San Miguel's management team and a group of friendly investors who are taking an increasing role in the Philippines-based food-and-beverage conglomerate. Former Philippine Finance Minister Roberto Ongpin, seen as an ally of San Miguel President Ramon Ang, owns 20% of Top Frontier.

Top Frontier's recent moves to increase its stake in San Miguel are seen as adding support for Mr. Ang and San Miguel Chairman and Chief Executive Eduardo Cojuangco Jr. as they spend money to diversify into everything from utilities to telecommunications.

San Miguel said it will secure nearly half of Top Frontier for an undisclosed amount through an equity investment.

"This investment will ensure continuity of the ongoing business operations and strategic plan of SMC and the stability of its organization," Mr. Ang said.

Top Frontier in November bought a 26% stake in San Miguel for 64.28 billion Philippine pesos ($1.4 billion) from the conglomerate's retirement fund. Top Frontier also has said plans to acquire a 20% San Miguel stake from **Q-tech Alliance Holdings** Inc., of which Mr. Ongpin is a major shareholder. That will increase its stake in San Miguel to 36%.

Because its stake in San Miguel will exceed 35%, Top Frontier is required by local rules to make a tender offer to buy out other San Miguel shareholders with an offer of 75 pesos ($1.63) a share, the price it paid for its initial 26% stake. Top Frontier plans to make the tender offer in March.

San Miguel*

Daily share price, Wednesday's close: 67 Philippine pesos, down 0.7%

* For Class A shares
Source: Thomson Reuters Datastream

Analysts said the offer should spur buying interest in San Miguel, which closed Wednesday at 67 pesos.

"The first effect is a run up in San Miguel's share price," said Jose Vistan, research head at AB Capital Securities.

San Miguel said its investment in Top Frontier also would further San Miguel's effort to broaden its shareholder base through the eventual sale of some of its own shares.

San Miguel, which is diversifying into heavy industries such as power generation and toll-road operation, earlier exchanged higher-yielding preferred shares to holders of common shares who didn't agree with the company's move to diversify into heavy industries.

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CORPORATE NEWS

M&S sales rise disappoints

U.K. clothing retailer lags behind rivals in same-store gains, warns of a tough year ahead

By Kathy Gordon

LONDON—**Marks & Spencer** PLC on Wednesday reported a worse-than-expected rise in same-store sales that lagged behind some rivals and warned that 2010 would be a tough year. "We expect the trading conditions over the coming year to remain challenging as a result of continuing economic uncertainty," outgoing M&S Chairman Sir Stuart Rose said.

He added that the incoming government—the U.K. must hold an election by early June—would have to implement measures to drive down the budget deficit, which would mean a tougher time for consumers, with higher taxes likely.

The comments came as Britain's largest clothing retailer by revenue reported a 0.8% rise in comparable sales in the U.K. in the 13 weeks to Dec. 26, below market expectations of a 1.2% rise but the first increase in same-store sales in two years. Year-earlier figures included the first day of M&S's post-Christmas sales, Dec. 27, which wasn't included in the latest quarter. Adjusting for this, sales would have been up 1.8%.

Still, shares fell 6.8% to 377.4 pence in late afternoon trading in London. M&S's third-quarter update lagged behind rival **John Lewis Partnership**, which on Tuesday reported a 12.2% rise in comparable sales at its department stores in the 13 weeks to Dec. 26 and a 16% increase in total sales at its grocery division Waitrose.

Bloomberg News

Marks & Spencer's shares were down following its quarterly update. A store in London advertised discounts on Dec. 28.

M&S has been hit harder than some of its peers during the U.K. recession, mainly because it is considered a premium retail outlet and has strong competition from discounters in both the food and clothing sectors. Still, the figures were an improvement on the poor figures for last year, when same-store sales fell 7.1% and retailers like M&S were forced to offer hefty discounts.

Shore capital analyst Clive Black said that while a return to positive comparable sales growth is encouraging and comparing numbers with other companies is complicated by timing issues and definitional differences, "it appears as if M&S has had a respectable Christmas and not as spectacular as others."

Sir Stuart conceded as much on a conference call with analysts, saying that John Lewis's upmarket grocery division Waitrose had outperformed M&S's own supermarket sales growth. However, he stressed that the company had seen a marked improvement since last year, when comparable food sales were down 5.2%. Same-store food sales rose 0.4% in the third quarter, while the company's general merchandise unit, which sells its clothing and housewares, saw sales increase 1.2%. Despite an improving Christmas trend, there is caution across the retail sector as 2010's prospects of rising taxes and unemployment are set to put a damper on consumer spending.

Prior to Wednesday's selloff, M&S shares had risen around 14% over the past three months as the Christmas outlook turned rosier.

Retailers had a healthier holiday season

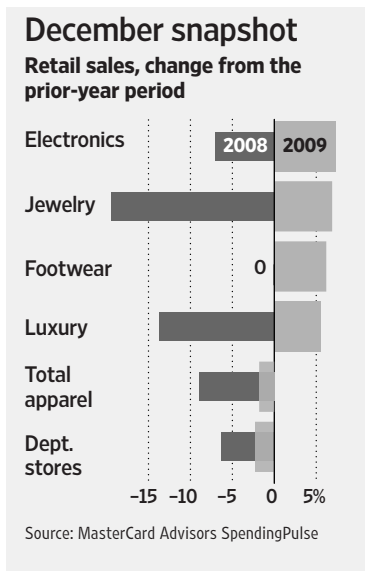
By Elizabeth Holmes And Miguel Bustillo

Clothing stores in the U.S. discounted less and sold fewer items last month than a year earlier, a combination that undercut sales but likely will translate into higher fourth-quarter profits, according to figures released Tuesday.

Apparel and department stores remain among the weaker U.S. retailers, with sales well below pre-recession levels. December clothing sales fell 1.8% and department store sales fell 2.3%, compared with the same month a year earlier, according to SpendingPulse, an index developed by **MasterCard** Inc.'s MasterCard Advisors consulting unit.

Despite the softer sales, many retailers are expected to signal higher earnings for the crucial fiscal fourth quarter when they release results Thursday.

Most mall retailers scaled back inventories dramatically last year to avoid a repeat of the drastic markdowns of the 2008 holiday season.



As a result, the sales that did occur were closer to—or at—full price.

"It was a healthier season," said Michael McNamara, vice president of research and analysis for MasterCard Advisors, which tracks sales by all payment forms.

As 2010 gets under way, retailers are continuing to cut costs as they adjust to the new, lower level of consumer spending. **Macy's** Inc. said Tuesday it will soon close five of its more than 800 stores.

"It's still a tough credit environment. It's still an economy in which there has been no job creation," said John Long, a partner at consultancy Kurt Salmon Associates. "Until those two things change, we won't see consumers changing their behaviors."

Overall, the holiday season was slightly better than the year before, when economic turmoil gripped the U.S. and consumer spending on discretionary items plummeted. Total retail sales from Nov. 1 to Dec. 24 rose 3.6% over 2008, MasterCard said. The company didn't provide a December figure for total sales.

December results were boosted by a late-month surge in shopping after Christmas, as customers cashed in gift cards and took advantage of postseason clearance sales, it said. Sales for the seven-day period ended Jan. 2 were up 2.5% compared with last year, according to estimates released Tuesday by the International Council of Shopping Centers.

As a result of the relatively strong finish, analysts now expect many chains to boost their fourth-quarter earnings outlooks. Thomson Reuters Corp. estimates December sales for the 30 reporting chain stores that it tracks rose 2%. Retail Metrics Inc., which uses a slightly different methodology, puts the sales increase at 1.8%.

While overall retail sales stayed soft, one exception was in electronics. MasterCard reported December sales were up 7.3% from last year.

Many electronics experts had forecast declining prices would keep revenues flat despite a rise in unit sales. Although falling prices for television sets hurt overall sales, their impact was more than offset by sales of gadgets including smartphones and electronic-book readers, MasterCard's Mr. McNamara said.

Nintendo sees rebound in Wii game-console sales

By Ben Charny

Japanese videogame giant **Nintendo** Co. Ltd. said December U.S. sales of its popular Wii game console rebounded and will likely exceed three million units.

The Kyoto-based company said that 2009 U.S. sales of its DS game system are on track to set an annual record for portable game players.

Nintendo President Satoru Iwata said the results suggest U.S. consumer interest in the Wii is rebounding after the recession capped sales of the innovative console for most of last year. Nintendo cut the price of the Wii last fall.

Nintendo's forecast helped set a positive tone for the electronics industry's annual gathering, the Consumer Electronics Show, which starts Wednesday in Las Vegas.

The event draws executives from some of the biggest companies in the technology sector, including **Microsoft** Corp. **Sony** Corp. and **Intel** Corp.

Analysts expected muted videogame sales in December, the heart of the key holiday-gift season.

Next week, industry tracker **NPD Group** Inc. will release data on the strength of sales recorded during the month.

Nintendo's performance comes after a bleak November that saw videogame software and hardware revenue drop 7.6% from a year-earlier to $2.69 billion.

Smokeless is new focus of Philip Morris

By David Kesmodel

Tobacco giant Philip Morris USA Inc. is urging the Food and Drug Administration to adopt a regulatory plan that would encourage smokers who can't or won't quit tobacco to switch to less-harmful smokeless tobacco.

Philip Morris and U.S. Smokeless Tobacco Co., both units of **Altria Group** Inc., said in a letter to the FDA that a regulatory framework that takes into account the "continuum of risk" of different types of tobacco products could "have a significant public health benefit."

The companies, based in Richmond, Va., filed the letter as part of a public-comment period in which the FDA accepted ideas for implementing the landmark law enacted last year that gave the agency broad authority to regulate tobacco.

The comments place the maker of Marlboro cigarettes and Skoal moist smokeless tobacco into a complex debate over how to reduce tobacco-related harm. The new law, the Family Smoking Prevention and Tobacco Control Act, empowers the FDA to implement strategies to curtail tobacco-related illness and death. The companies argued in the letter that regulations that permit the industry to communicate to consumers about the lower dangers of smokeless-tobacco products could complement, rather than compete with, efforts to get people to stop using tobacco or to keep them from starting.

Matthew Myers, president of the advocacy group Campaign for Tobacco-Free Kids, criticized Altria's letter, calling it "a ploy to weaken" standards established in the tobacco-regulation law. The law sets a high bar for health-related claims, stipulating that manufacturers demonstrate that the product significantly reduces the risk of tobacco-related disease for individual users and benefits the health of the U.S. population as a whole.

Brendan McCormick, an Altria spokesman, said Philip Morris was "very consistent" in its letter in saying the regulatory framework should be based "on science and evidence." Philip Morris didn't specify regulations it might like to see.

David Adelman, a Morgan Stanley analyst, said the FDA, "in theory," might place lighter advertising restrictions on smokeless tobacco than on cigarettes or approve warning labels that highlight the lower risks of the products, among other scenarios.

Philip Morris's comments are similar to those by **Reynolds American** Inc., the maker of Camel cigarettes and the No. 2 industry player in the U.S. by sales after Altria. Reynolds, in an October letter to the FDA, said "real health benefits can result from encouraging the production of, the investment in, and the migration to lower-risk products." Reynolds also makes Grizzly moist snuff and Camel Snus, a type of spit-free smokeless tobacco.

Some public-health advocates support the idea of encouraging smokers to switch to smokeless products as a way to reduce tobacco-related disease. But others strongly oppose the strategy, saying it could prompt people who otherwise would never use tobacco to become addicted to it. An FDA spokeswoman declined to comment on Altria's letter.

CORPORATE NEWS

Google phone's name irks author's estate

Daughter of Philip K. Dick says 'Nexus One' infringes on a novel

By Nathan Koppel

As **Google** Inc. launches its Nexus One phone, one call that the company hasn't made is to the family members of science-fiction author Philip K. Dick, who complain the device's name infringes on one of Mr. Dick's most famous novels.

"We feel this is a clear infringement of our intellectual-property rights," said Isa Dick Hackett, a daughter of Mr. Dick and the chief executive of Electric Shepherd Productions, an arm of the Dick estate devoted to adapting the late author's works.

"Our legal team is dealing head on with this," she said Tuesday. An attorney for the estate declined to elaborate on what legal steps it has taken.

Mr. Dick's 1968 novel, "Do Androids Dream of Electric Sheep?," which served as the basis for the 1982 cult film "Blade Runner," follows a bounty hunter chasing androids known as Nexus-6 models.

Ms. Hackett believes Google referenced that work in coming up with the name for its new phone, but the company never called her family or attorneys for permission to license the name.

A Google spokesman declined to comment.

Ms. Hackett argues the association between the phone and the book are cemented by the fact that the Nexus One runs Google's Android operating system.

Google has its "Android system, and now they are naming a phone 'Nexus One,' " she said. "It's not lost on the people who are somewhat familiar with this novel."

Attorneys who specialize in trademark disputes don't see a clear-cut case.

Attorneys who specialize in trademark disputes don't see a clear-cut case. One key issue is whether consumers are likely to be confused and think Mr. Dick's estate was associated with Google's phone.

"Will people buying the Google phone hear the Nexus One name and think that is just like in 'Do Androids Dream of Electric Sheep?' " asked Marc Reiner, a partner at **Dorsey & Whitney** LLP, who isn't involved in the matter.

Characters such as Mickey Mouse and Indiana Jones that have served as bases for products are much more likely to be able to gain trademark protection.

"A character in a book does not automatically get trademark protection," Mr. Reiner said.

It also may be more difficult to win a trademark case in regard to a word such as nexus, which is used in other contexts apart from the characters in Mr. Dick's novel, said Beth Goldman, a partner at **Orrick, Herrington & Sutcliffe** LLP, who isn't involved in the Google matter.

"Some words are never used for anything except in connection with a particular trademark, like Hershey's," Ms. Goldman said.

That may explain why Verizon Wireless licensed the "Droid" name from "Star Wars" creator and director George Lucas when it recently launched a **Motorola** Inc. smartphone with that name.

"We were honored that Verizon chose to name their newest technological venture the DROID smartphone, and we were happy to grant them a license to use the mark," said a spokeswoman for Mr. Lucas's company, Lucasfilm Ltd.

Warner Brothers/Everett Collection

The 1982 film 'Blade Runner.' was based on Philip K. Dick's novel, 'Do Androids Dream of Electric Sheep?' The story is about a bounty hunter who chases androids known as Nexus-6 models. Google's new phone is the Nexus One.

Apple's Quattro deal takes aim at Google

By Yukari Iwatani Kane

Apple Inc. acquired mobile-advertising company **Quattro Wireless** in a move that heightens its competition with rival **Google** Inc.

Quattro, which places ads on mobile Web sites and applications, announced the deal with Apple Tuesday. The value of the acquisition wasn't immediately clear. The deal was first reported by Web site All Things D, which said the transaction was valued at $275 million. News Corp. owns All Things D, as well as The Wall Street Journal.

Andy Miller, head of Quattro, will become vice president of mobile advertising for Apple.

An Apple spokesman said the Cupertino, Calif., company had nothing to add beyond the statement on Quattro's Web site.

The purchase follows Google's acquisition of Quattro's bigger rival **AdMob** Inc. for $750 million late last year. Both Apple and Google have increasingly been butting heads as the two companies operate in overlapping areas.

Google, for instance, has become a player in mobile phones, browsers and operating systems, competing against Apple's iPhone smart phones and its Macintosh operating system and own browser. The Wall Street Journal previously reported that Apple had also pursued AdMob.

Apple has also been more active in acquiring companies recently. Just last month, it bought music streaming service La La Media Inc. for $85 million as part of its plan to revamp its iTunes service.

Buying Quattro, which is based in Waltham, Mass., gives Apple a way to capitalize on the popularity of apps for the company's iPhone, which are downloaded through its App Store.

Apple said Tuesday more than three billion apps have been downloaded to iPhones and iPod touch devices.

Apple takes 30% of any revenue that developers collect by selling apps, but it currently makes no money from free apps, which account for the majority of those that are downloaded. Many free apps run ads, so a mobile-advertising service would give Apple a revenue stream from some free apps.

Gene Munster, an analyst for Piper Jaffray & Co., said he expected Apple to eventually offer mobile advertising that will better integrate with iPhone apps. "It's the right move," said Mr. Munster. "It gives developers a way to manage their app on a single platform," he said.

Research firm Forrester projects U.S. mobile marketing to increase from $391 million in 2009 to nearly $1.3 billion in 2014.

A mobile-advertising service could become more important as Apple gears up to announce a multimedia tablet that is likely to let people download apps from the App Store. Apple is expected to unveil the device later this month and currently plans to ship it in March.

Quattro advertising clients include auto, entertainment and consumer products companies. The company got its start placing ads on mobile Web sites, but analysts say that the growth in its business from ads for applications has been faster.

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CORPORATE NEWS: CONSUMER ELECTRONICS SHOW

CES to showcase more touch gizmos

Las Vegas electronics show will feature a variety of gadgets that are controlled by finger swipes, other movements

By Nick Wingfield

Associated Press

Vendors set up their booths Monday in Las Vegas in preparation for the Consumer Electronics Show, which is scheduled to open on Thursday.

For decades, people have operated computers and other gadgets almost exclusively by tapping keys and clicking mice. But a major shift is under way following a surge in technologies that respond to more natural actions like finger swipes and full body movements.

Apple Inc.'s iPhone and **Nintendo** Co.'s Wii have already shaken up their markets by substituting touch- and motion-sensing technologies, respectively, for traditional ways of operating cellphones and game machines. Now a new wave of products is poised to bring "natural user interfaces"—as these methods are called—to a broader audience.

The chief executive of one technology heavyweight, **Microsoft** Corp.'s Steve Ballmer, is expected to use a keynote speech Wednesday night at the Consumer Electronics Show in Las Vegas to showcase a variety of Microsoft products with natural user interfaces.

They include Project Natal, a video camera—due out by the end of the year—that is designed to let people play Xbox 360 videogames purely with body movements.

Microsoft also plans to promote a wave of new PCs with touch-sensing screens that run its recently released Windows 7 operating system.

"We're at a sea change right now," says Bill Buxton, who specializes in natural user interface technologies in Microsoft's research group.

Many other new tablet devices will be on display at CES, including **Skiff** LLC's Skiff Reader, a device with an 11.5-inch touch screen for reading electronic newspapers and magazines.

Natural user interface technologies have followed a long road to mass acceptance. As a researcher at the University of Toronto in the mid-1980s, Mr. Buxton worked on a "multitouch" tablet—the sort of technology the iPhone uses to carry out tasks on a screen using more than one fingertip. And Microsoft's Bill Gates touted touch-sensing tablet PCs for much of the past decade, but the products were expensive and didn't sell well.

Multitouch technology faced another hurdle as well: Keyboards and mice are very good at what they do: providing an inexpensive, accurate method for classic PC tasks like editing documents, writing long emails and preparing big spreadsheets.

The technology finally had a big breakthrough with the iPhone, whose relatively large screen isn't cluttered with physical buttons. Instead of punching in keyboard commands, users can zoom in and out of photos and maps by such gestures as pinching two fingers together.

Nintendo, meanwhile, wanted to give gamers simpler options than hitting complex sequences of buttons on conventional controllers. The Wii's ground-breaking controller lets people play games such as tennis and archery by mimicking the movements of those sports.

Sony Corp. has plans to release its own motion-sensing controller for the PlayStation 3 this year. And Microsoft's Xbox plans go even farther, eliminating the need for a hand-held controller by relying entirely on a depth-sensing camera to detect player movements.

According to John Seely Brown, former director of Xerox PARC, the **Xerox** Corp. research lab that pioneered many interface technologies, such devices feel more natural because they "share space with us" by sensing whether users have turned them upside down or shaken them using motion-sensing parts called accelerometers. Mr. Brown says consumer electronics has been "blown wide open" as a result.

Sales of touch-sensing PCs got a lift with Microsoft's release in October of Windows 7, the first operating system the company has designed with multitouch in mind. On computers equipped with touch screens, Windows 7 can detect when a user puts a finger on the display and change the width of menus and scroll bars in response.

Falling computer prices have also helped. Touch-sensing PCs can cost $100 or so more than comparable nontouch PCs, but prices for touch-sensing desktop PCs fell to an average of $838 in November in U.S. retail stores from $1,369 a year earlier, according to **NPD Group** Inc.

At CES, **Hewlett-Packard** Co. announced Wednesday a $399 netbook computer with a touch display called the HP Mini 5102.

H-P was among the first to push touch-sensing PCs a few years ago with a line of PCs called TouchSmart that allow users to navigate photo, music and video collections with the swipe of a finger on a display.

Phil McKinney, chief technology officer of the company's personal-systems group, says H-P is also testing touch-sensing computers as a way to tap into emerging markets like India, where comparatively high rates of illiteracy pose an obstacle to the use of keyboards.

DIGITS

Insights from WSJ.com

Electronic Arts

Electronic Arts to keep Tiger Woods in the game

For weeks, **Electronic Arts** has said it has no plans to ditch its association with Tiger Woods, even as the golfer's other sponsors began bailing on him after his life became tabloid fodder.

This week, EA again said it will stick with Mr. Woods and plans an online game featuring the golfer that it will open for public testing later this month.

EA Sports president Peter Moore said in a blog post Monday that the videogame publisher partnered with Mr. Woods because it strives to make authentic sports simulation games.

"By his own admission, he's made some mistakes off the course," said Mr. Moore in the blog post. "But regardless of what's happening in his personal life, and regardless of his decision to take a personal leave from the sport, Tiger Woods is still one of the greatest athletes in history."

EA's decision hints at how much more complicated the videogame company's ties to Mr. Woods are than other sponsors. EA didn't hire him in 1997 to wear a watch like Tag Heur or to be the face of a consulting firm like Accenture.

With EA, Mr. Woods is—as the company's tagline goes—in the game. Players of EA's golf games get to put on Mr. Woods' virtual cleats and control his swing.

EA could always substitute another professional golfer for Mr. Woods, but no one else has his name recognition. Tiger Woods golf videogames have lifetime U.S. retail sales of $616 million, according to NPD Group. For EA, that's a tough number to walk away from.

—Nick Wingfield

Facebook blocks 'suicides'

Will 2010 be the year that Internet users cut back on friending, tweeting and connecting with their long-lost acquaintances?

A site called the Web 2.0 Suicide Machine is banking on it. The site offers to help visitors "kill" their online presence on Facebook, Twitter, MySpace and LinkedIn by clicking a "commit" link (complete with a noose icon).

It works by prompting users for their account information, then removing their friends, updates and other content, then changing the password and logging out—leaving an intact but bare profile. The decision is final: Users can no longer access their accounts.

The site offers this service free and coaxes the uncertain with words like "delete all your energy sucking social-networking profiles," "feel free like a real bird again and untwitter yourself" and "you want your actual life back?"

At least one social network appears to be putting up a fight. The Suicide Machine notes that **Facebook** is blocking its service.

Facebook said it already provides methods for people who want to either deactivate their account or delete it entirely. "Web 2.0 Suicide Machine collects login credentials and scrapes Facebook pages," which violates Facebook policies, a Facebook spokesman said in a statement. "We've blocked the site's access to Facebook as is our policy for sites that violate our [policies]. We're currently investigating and considering whether to take further action."

Tech-savvy folks have considered whether they're too connected via social-networking sites almost as soon as they launched—artist Cory Arcangel staged a "Friendster suicide" back in 2005.

—Andrew LaVallee

Lenovo's 2-in-1 tablet

Thinking about a tablet computer instead of a laptop? **Lenovo** is offering to sell you both at the same time.

The China-based computer maker is using the Consumer Electronics Show this week to announce an unusual hybrid product called the IdeaPad U1 that covers the two categories.

It can function as a conventional clamshell-style laptop, which runs Microsoft Windows, uses a microprocessor from Intel and weighs in at about 3.8 pounds.

Lenovo

Alternatively, a user can detach the 11.6-inch, 1.6-pound screen and use it like a tablet, Lenovo says. The display includes all the features of a computer, including a Linux-based operating system and Qualcomm's Snapdragon chip.

If nothing else, the product adds to all the commotion in advance of Apple's expected tablet announcement later this month. But don't expect to get two computers for exactly the price of one; Lenovo's press release says price and availability will "vary by region," though a spokeswoman for the company says the device will be "less than a thousand" dollars. That usually means close to it.

—Don Clark

ChiNext rules tightened

Shenzhen Stock Exchange tries to damp exuberance for IPOs

SHANGHAI—In a move highlighting concerns over stock-market speculation, the Shenzhen Stock Exchange tightened the rules on how companies listing on the ChiNext start-up board may use extra funds from initial public offerings, many of which raised significantly more money than targeted.

The securities regulator is also considering adjustments to the IPO-pricing mechanism in order to bring down the high valuations that have characterized recent listings and could contribute to an asset bubble.

Since the Shenzhen exchange opened ChiNext in late October to cater to the funding needs of start-up firms, most of the 36 listed companies have raised more than double the amount they originally targeted for their IPOs.

The Shenzhen exchange said Tuesday that such companies shouldn't use more than 20% of the additional IPO proceeds to supplement their working capital or to repay bank loans in a single year.

It also said the companies should gain shareholders' approval if they want to invest more than 50 million yuan ($7.3 million) or more than 20% of the additional IPO proceeds in a single project.

The exchange reiterated that companies should use the additional proceeds from their IPOs to fund their main businesses and not for high-risk investments, such as securities, derivatives or venture capital.

"There will be too much liquidity in the market if the ChiNext companies use their proceeds to invest in stocks," said Simon Wang, an analyst at Guoyuan Securities.

ChiNext IPO valuations have been high. When **Guangzhou Improve Medical Instruments** Co. had its share offering in December, its IPO priced at 108.7 times 2008 earnings. It raised 465 million yuan from the IPO, more than four times the 108.9 million yuan it initially sought.

The phenomenon isn't exclusive to ChiNext. Nearly all of the companies that have listed in China since late June, when a nine-month IPO moratorium ended, raised ample funds from robust share offerings that had high valuations.

A person familiar with the situation said last month that the China Securities Regulatory Commission is considering ways to bring down excessively high IPO valuations and may adjust the IPO-pricing mechanism this year.

The regulator has already held several meetings with investment banks, soliciting industry opinion on the issue, the person said.

China changed its IPO rules before reopening the primary market in June, weakening its role in guiding IPO price-setting and giving market forces more influence over the process.

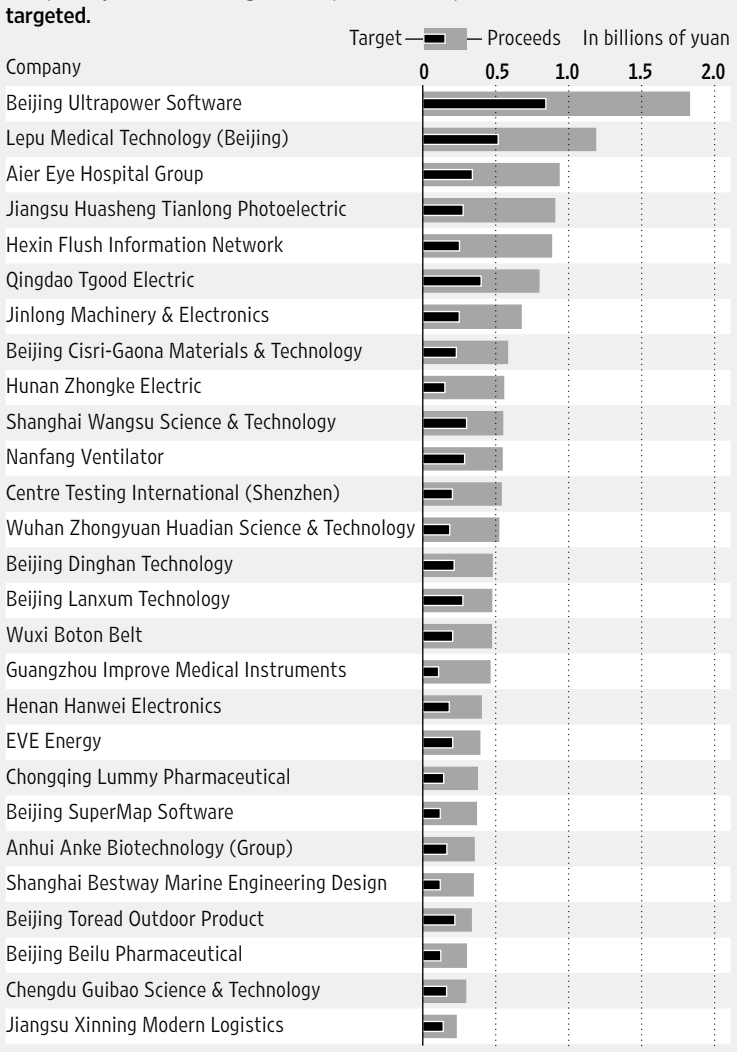
Previously, IPOs had been priced at relatively low levels because of the CSRC's intervention, leading to high volatility on trading debuts, characterized by an early surge followed by heavy profit-taking.

While the latest changes have helped tame such volatility, IPO supply is still strictly controlled by the regulator, leaving investors hungry for fresh equity and pushing IPO prices to high levels. Analysts say the CSRC will be hard-pressed to find an effective solution so long as the regulator, and not the market, determines the level of supply.

—Wynne Wang

Extra proceeds

Many companies raised significantly more money in their ChiNext IPOs than targeted.



Source: the companies

Perot employee makes deal with SEC

By Kara Scannell And Ben Casselman

Reza Saleh, an employee of H. Ross Perot's investment firm who was charged with insider trading, agreed to forfeit $8.6 million in profits to settle with securities regulators.

The U.S. Securities and Exchange Commission charged Mr. Saleh in September with civil securities fraud for buying options in **Perot Systems** Corp. stock after learning about **Dell** Inc.'s planned takeover. When the deal was announced, Mr. Saleh, a longtime friend and employee of Mr. Perot, made $8.6 million in profits.

As part of the settlement, Mr. Saleh agreed, without admitting or denying wrongdoing, to a ban from associating with any investment advisers.

The SEC never alleged Mr. Perot was involved in any wrongdoing and hasn't charged any Perot officials with tipping off Mr. Saleh.

Stephen Korotash, an associate director of the SEC's Fort Worth, Texas, regional office, said the investigation was continuing. An attorney for Mr. Saleh didn't respond to a request for comment.

Eddie Reeves, a spokesman for the Perot family, said the family didn't know any more than what was in the SEC's statement. "We were shocked and saddened by this whole turn of events," Mr. Reeves said. "We are certainly relieved for all involved that the matter seems to have been resolved." Mr. Saleh no longer works for the company, Mr. Reeves said.

The SEC asked the judge, who has to approve the settlement, to rule on whether a penalty should be imposed on Mr. Saleh. Often SEC settlements include an agreed-upon penalty but judges are asked to step in if the parties can't reach a deal. The SEC also requested that the judge appoint a third party to distribute the returned profits.

Mr. Saleh's ties to Mr. Perot and his family go back decades to when he played a role in the 1979 rescue of two American Electronic Data Systems' employees taken hostage in Iran. Mr. Perot owned EDS at the time and he helped finance and orchestrate the rescue. According to former EDS employees, Mr. Saleh, who was an Iranian employee of EDS at the time, led the crowd that broke into the prison to free the employees.

Mr. Saleh has since worked for various Perot entities, most recently at **Parkcentral Capital Management LP**, a hedge fund that manages money for the Perot family. He lived a modest life in Richardson, Texas, a suburb of Dallas.

Philippines starts '10 Asian bond sale

By Ditas Lopez

MANILA—The Philippine government on Wednesday offered to sell more of its 10-year and 25-year U.S. dollar global bonds, kicking off what promises to be a busy year of sovereign borrowing from Asia.

To raise $1.5 billion for budget support, the government reopened its 6.5% January 2020 bonds and 6.375% October 2034 bonds, according to people familiar with the deal.

Lead managers Barclays Capital, Deutsche Bank and HSBC are expected to price the bonds during New York trading hours Wednesday. The government is hoping for a price of 106 for the 10-year bond and 96.25 for the 25-year paper, a person familiar with the deal said.

The deal comes as yield premiums for holding riskier sovereign debt have fallen in recent months and follows a $2 billion, 30-year bond from Turkey, the first sovereign issuer to tap the offshore market in 2010. Indonesia and Vietnam are set to follow in coming weeks.

In a sign of strong investor interest in emerging-market debt, Turkey received $7.3 billion in orders for its bond. The offering was both the largest amount and the longest maturity ever issued by Turkey.

Proceeds from the Philippine bonds will help plug a budget deficit that is projected to reach 293 billion Philippine pesos ($6.38 billion), equivalent to 3.5% of gross domestic product, this year. That would be up slightly from last year's likely budget gap of 290 billion pesos, according to finance officials.

The Philippines, which has opened the market for Asian global-bond issuers for the past several years, needs to raise funds early this year to avoid any rise in risk premiums as presidential elections approach in May. It also needs to finance economic-stimulus measures, as well as reconstruction efforts after typhoons late in 2009.

The funds are especially crucial after the Bureau of Internal Revenue said Wednesday that 2009 tax collection was down 4.4% on the year—and was 7% below target—amid the global economic slowdown.

Indeed, macroeconomic risks facing the Philippines center on its inadequate revenue base. The Philippines is rated Ba3 by Moody's Investors Service and double-B-minus by Standard & Poor's Ratings Services. Any upgrade or downgrade in the ratings depends on how successful the government is in increasing revenue.

"Although the sharp fall in fiscal revenues in 2009 was mainly attributable to cyclical factors, offsetting measures that could have moderated the fiscal slippage were not forthcoming," S&P said in a news release Wednesday that rated the proposed bonds.

Moody's said Wednesday that "although economic growth is being adversely affected by global conditions and fiscal performance has slipped, a continued commitment to public-sector fiscal reform and consolidation would bode well for the country's long-term macro prospects and credit fundamentals."

The government is offering $650 million of the 2020 bonds at 106.25 and $850 million of its 2034 bonds at 96.50, according to people familiar with the deal.

The decision to retap existing bonds was anticipated, as "the government needs to raise dollars and the easy and logical thing to do is a tap of smaller issues," one trader in Manila said.

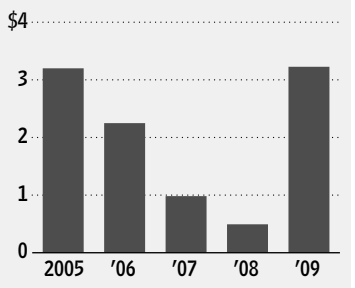
Bids for the bonds already had exceeded the maximum offer size well before U.S. markets opened, said another person knowledgeable about the deal, as investors are eager to put their cash to work early in the new year and are familiar with the Philippines as a frequent global issuer.

The Philippines has $750 million outstanding in the 2020 bonds, which were first sold in July 2009, and $1 billion in the 2034 bonds, which it first sold in October 2009.

The government has euro-denominated bonds worth €650 million, or $933.9 million, maturing in February, and another $561.5 million in offshore debt falling due in March.

Kicking off

Philippines' U.S. dollar bond issuance, in billions



Source: Dealogic

Rajaratnam faces new indictment

Continued from page 17

half of another source, according to the U.S.

The government said it will file a "superseding" indictment in the case that will expand the charges against Mr. Rajaratnam to include the ATI acquisition.

Prosecutors previously alleged that Anil Kumar, a former senior partner at consulting firm McKinsey & Co., passed tips to Mr. Rajaratnam about McKinsey clients, including AMD, in 2008, and Galleon Technology Funds executed trades based on that information. Mr. Kumar was an investor in one or more Galleon-affiliated funds at the time, prosecutors said.

Raj Rajaratnam

Last week, prosecutors said in a court filing that Mr. Kumar intends to waive indictment in the case. Prosecutors say they plan to file a new charging document, known as a "criminal information," against Mr. Kumar, which could signal a plea deal has been reached.

At the moment, there is no indication such a plea deal has been reached. A lawyer for Mr. Kumar previously had denied the charges.

MARKETS

UOB sells life insurer to Prudential

U.K. insurer to pay $306.2 million to expand operations in Thailand and Indonesia as markets recover

By Sam Holmes And Patricia Kowsmann

SINGAPORE—**United Overseas Bank** Ltd. plans to sell its life-insurance unit to **Prudential** PLC for 428 million Singapore dollars (US$306.2 million), a move that will help the U.K. insurer expand rapidly in the key markets of Thailand and Indonesia.

As part of the transaction, UOB's operations in Singapore, Indonesia and Thailand will distribute Prudential's life-, accident- and health-insurance products for at least 12 years. The Singapore-based bank has 414 branches in the three markets.

UOB's deputy chairman and chief executive, Wee Ee Cheong, said Wednesday that the life-insurance business is a small contributor to the company's operations in what is a highly concentrated and competitive industry.

"We decided that strategically it would make more sense for us to divest UOB Life and channel resources and focus on building the core lending business and our regional infrastructure," Mr. Wee said.

UOB, Singapore's third-largest bank by assets, said the net gain from the sale for the bank is "close enough" to analyst estimates of S$85 million. He said the sale isn't expected to affect the bank's financial position for the year ending Dec. 31, 2010. Completion of the sale is scheduled for Jan. 31.

Bloomberg News

UOB says it chose to divest UOB Life to focus on building its core lending business and regional infrastructure.

UOB also said as of Sept. 30, the unaudited net tangible asset value of UOB Life was S$244 million and the book value of UOB's investment in the unit was S$343 million.

"With the sale and the bancassurance arrangements with the Prudential Group, the UOB Group would be able to leverage on its core banking franchise and strong distribution network to build a successful bancassurance platform across the region," the bank said in a statement.

Prudential Chief Executive Tidjane Thiam said the transaction strengthens the company's presence in Asia, which he said accounts for 40% to 50% of global sales.

"We have significant positions in markets in Asia...and overall we are happy with our position and continue to be very willing to invest in the region," he said. "We are very bullish [on Asia] for 2010."

Prudential, the U.K's largest insurer by market capitalization, has operations in 13 Asian countries. It started writing life insurance in Thailand and Indonesia in 1995.

In Singapore, it has a life-insurance operation in addition to a fund-management business. The company has said Asia offers the best long-term growth prospects, despite a slowdown in new-business sales in the region early last year.

Signs of a recovery started showing in the third quarter. "Indonesia and Thailand, in particular, have been big targets for Prudential, so the acquisition should be seen as an execution of the insurer's strategy to expand in those places," ING analyst Kevin Ryan said. "UOB has more than 400 bank branches in the three countries, so that's a good distribution network for Prudential."

UOB Life has about 50,000 policyholders with 70,000 policies. Its shares ended up 1.4% at S$19.90, compared with the benchmark Straits Times Index's 0.4% rise.

HSBC Holdings PLC was UOB's adviser on the transaction and **Citigroup** Inc. advised Prudential.

"Bancassurance continues to be an important growth area for insurers in Asia and high-quality, exclusive distribution arrangements with the region's larger banks are increasingly appealing for insurance companies," said Donald Lacey, a vice-president in investment banking for Citigroup in Southeast Asia.

Morgan Stanley wins a ruling

By Aaron Lucchetti And Robin Sidel

Morgan Stanley achieved a win in its legal battle with former credit-card subsidiary **Discover Financial Services** Inc. over nearly $800 million that Morgan Stanley claims it is owed.

New York state Supreme Court Justice Barbara Kapnick said Monday that Discover is obligated to pay the amount as a special dividend to Morgan Stanley.

The ruling means that the Wall Street firm stands to boost its bottom line if the decision isn't reversed on appeal. The special dividend is equal to about 17% of the $4.5 billion Morgan Stanley is expected by analysts to earn in 2010, according to Thomson Reuters.

"We are pleased with the court's opinion," a Morgan Stanley spokesman said.

Discover, of Riverwoods, Ill., said it intends to appeal the ruling, adding that it has no effect on the damages being sought from Morgan Stanley by the credit-card company for "their breach of contract and tortious interference in settlement negotiations between Discover, Visa and MasterCard."

Discover claims Morgan Stanley "engaged in unauthorized negotiations" and "negatively affected the outcome of our final settlement." Morgan Stanley disputes the claims.

The conflict came to a head as Morgan Stanley struggled to survive in October 2008 and needed all the capital it could get its hands on to continue trading and serving clients.

Discover alleged that Morgan Stanley hurt Discover's chances of getting a bigger award by dealing directly with **Visa** Inc. and **MasterCard** Inc., even paying the companies $100 million to help bridge the gap between what they wanted to pay Discover and what Discover wanted from them.

At issue was money stemming from a $2.75 billion settlement payment Discover received from Visa and MasterCard as part of a 2004 lawsuit.

Morgan Stanley, which had acquired Discover in the 1990s as part of its merger with brokerage firm Dean Witter, spun off the card company in 2007. As part of the spinoff, the companies agreed that Morgan Stanley was entitled to receive a portion of Discover's settlement proceeds.

But when Discover won the settlement, it declined to pay Morgan Stanley, citing concerns about the securities firm's discussions with Discover's opponents in the case. That prompted Morgan Stanley to file suit against Discover in a New York state court last fall.

A senior London banker exits firm

By Harry Wilson

One of **Morgan Stanley**'s most senior London-based investment bankers quit two weeks ago, but his resignation wasn't announced until Monday, days after new Chief Executive James Gorman took the reins at the firm.

John Hyman, co-head of global capital markets at Morgan Stanley, resigned from the U.S. bank. His departure was announced on an internal conference call Monday, just three days after Mr. Gorman officially took over the running of the firm from former CEO John Mack.

Raj Dhanda, the bank's New York-based co-head of global capital markets, has been left in sole charge of the business. It was unclear whether the bank planned to name a successor for Mr. Hyman.

A spokesman for Morgan Stanley confirmed his departure. Mr. Hyman wasn't available to comment.

Mr. Hyman was one of Morgan Stanley's most senior London bankers and was part of the bank's global management committee. Most recently he was involved with the flotation of U.K. asset manager Gartmore, which priced its shares last month.

His resignation is the first senior European departure since Morgan Stanley announced in September that Mr. Mack would be stepping down as CEO at the end of 2009 to be succeeded by Mr. Gorman.

Last month, Morgan Stanley announced a management shuffle, with the head of its financial-institutions group, Ruth Porat, taking over from Colm Kelleher as chief financial officer, while Mr. Kelleher moved to become co-president of the institutional securities division.

Mr. Hyman had co-led Morgan Stanley's global capital-markets business since 2008,

Hotel-REIT rally: Still room to run?

By Kris Hudson

Stocks of U.S. real-estate investment trusts that own hotels staged a sharp rebound late last year, outpacing gains of all other classes of commercial-property stocks for 2009 as investors wager that beaten-down hoteliers are poised to start a recovery in 2010.

The Dow Jones Equity Hotel REIT Index of 13 stocks rose 66% on a total-return basis in 2009, following a 59% decline in 2008. Hotel REITs' rally last year handily outpaced the next-biggest gainers, manufactured-home REITs and hybrid REITs, which both gained 44%.

Whether the heady performance of hotel-REIT stocks is warranted is subject to debate.

Bullish investors note that hotels, which can empty out or fill up overnight, typically bounce back more quickly than other commercial real estate in an economic recovery. Bulls note that hotels' steep declines in occupancy last year now are shrinking, and growth in demand for rooms should outpace waning new supply in the U.S. by mid 2010.

"We can comfortably say now that the bottom is behind us," said Mark Woodworth, president of research company PKF Hospitality Research LLC in Atlanta. "It's been a long, painful ride down the hill, but the [first] quarter is when we see demand start to turn around."

Ashford Hospitality Trust, a REIT that owns 102 hotels, posted the biggest advance among hotel REITs last year—a 303% gain—after hitting a low of 91 cents last March. "It's going to take time before increasing demand outpaces the new supply," said Monty Bennett, Ashford's chief executive. "We definitely should see some recovery in the latter half of this year."

Another factor boosting hotel-REIT stocks: REITs with manageable debt loads such as **Host Hotels & Resorts** Inc. and cash-flush new arrivals such as **Pebblebrook Hotel Trust** figure to snap up prime properties on the cheap.

Many hotels with mortgages coming due in coming months will face foreclosure or receivership for lack of refinancing options or because the properties will be worth less than their mortgage balances.

Less bullish observers caution that hotel occupancy and revenue won't bounce back as fast this time as they did after previous downturns because the overall recovery is predicted to be slow. Hotels have a long way to climb to get back to their 2007 heights; U.S. hotel occupancies in 2009 were 8.3 percentage points lower than in 2007, according to Smith Travel Research.

"Hotels are not a bad place to be if you believe that over the next five years we'll continue to gain economic momentum and experience a gradual recovery," said Joe Rodriguez, portfolio manager of Invesco's **AIM Real Estate Fund**, which has owned shares of Host Hotels and **LaSalle Hotel Properties**. But, "we could see a soft patch in the short term, which would mean we might see a pullback in stocks that are [tied] to the economic recovery."

Bloomberg News

John Havens is Citigroup's investment-banking chief.

Top paycheck at Citigroup: $9 million

By David Enrich

Citigroup Inc. investment-banking chief John Havens took home more than $9 million in total compensation last year, making him the highest-paid employee at the New York company.

Pay has been a lightning rod for criticism of Citigroup after the company received $45 billion in bailout funds. Citigroup last month repaid $20 billion of those funds, but the U.S. government remains the company's largest shareholder with a roughly 27% stake.

Mr. Havens's pay package is a far cry from the nearly $100 million bonanza Citigroup's star energy trader, Andrew Hall, reaped in 2008. Citigroup was forced to sell Mr. Hall's Phibro LLC unit last year under pressure from President Barack Obama's pay czar, Kenneth Feinberg.

Mr. Feinberg reviewed the structure but not the dollar amount of Mr. Havens's pay package, because the executive wasn't among the 20 highest-paid executives at the time of Mr. Feinberg's review last year, according to a person familiar with the matter.

Mr. Havens's pay package consisted primarily of 2.7 million shares of Citigroup stock, which he received Dec. 30, according to a regulatory filing. Those shares, which Mr. Havens is restricted from selling immediately, accounted for his entire bonus and a portion of his salary. The shares were worth $8.97 million based on Citigroup's $3.32 share price on Dec. 30. The shares traded at $3.58 late Wednesday morning.

Mr. Havens, a confidant of Citigroup Chief Executive Vikram Pandit, also received a cash salary, but Citigroup hasn't disclosed the amount. The person familiar with the matter said it was less than $500,000.

Citigroup's second-highest-paid employee appears to be Manuel Medina Mora, who runs Citigroup's Latin American operations. Last week, he received about 2.55 million shares valued at $8.5 million, according to a regulatory filing. He also received a cash salary.

Mr. Feinberg didn't review the size of Mr. Medina Mora's 2009 pay package, but he did sign off on its structure, according to the person familiar with the matter.

Three other unidentified Citigroup executives were due to receive about $9 million each in total compensation last year, according to a document Mr. Feinberg's office sent to Citigroup last October.

Mr. Pandit agreed to accept total compensation of $1 until Citigroup returns to sustained profitability.

Copper near 18-month high

Snow effect: Storms in China hamper transportation, while economic data feeds sentiment

By Matt Whittaker

NEW YORK—Copper futures approached 18-month intraday highs Wednesday as investor demand, economic optimism and weather-related buying outweighed bearish sentiment from easing production tensions.

The most-active contract, for delivery in March, was up 10.65 cents, or more than 3%, in late-morning trade to $3.52 a pound on the Comex division of the New York Mercantile Exchange. The contract hit $3.5220, its highest point since July 14, 2008.

The less-liquid front month January contract was up 8.35 cents, or 2.5%, to $3.4950 and touched the highest intraday level for a front-month contract in nearly 18 months.

Copper prices more than doubled in 2009 on increasing economic optimism and a boost in risk appetite. Market participants began booking profits from the rise toward the end of the year. They are now buying back the positions they sold last year, said George Gero, vice president with RBC Capital Markets Global Futures.

The investment flows come against a brightening economic backdrop. Recent data showing manufacturing expansion in China, the U.K. and the U.S. continue to support the metal. Copper often tracks economic data because the metal is widely used in construction, electronics and automobiles.

"The general sentiment still seems to be positive," a trader said.

In addition to investment flows back into copper, weather issues are hampering transportation and limiting scrap availability, he said.

Severe snowstorms in parts of China raised concerns about transport disruption, said Standard Bank metals analyst Leon Westgate. This buying caught some participants off guard and prompted some repurchasing of previously sold positions.

Chinese buying is also being fueled by Shanghai Futures Exchange prices that are high enough above London Metal Exchange prices to make importing the metal more attractive.

Copper futures

Daily settlement price on the continuous front-month contract on the Comex division of Nymex

Late morning Wednesday: $3.520 per pound, up 10.65 cents

Source: Thomson Reuters via WSJ Market Data Group

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* source: April - September 2009 ABC report, including online

Dollar climbs vs. yen, reverses gains on euro

By Don Curren

TORONTO—The euro climbed to session highs against the dollar and the yen mid-morning Wednesday after reasonably robust U.S. service-sector data helped revive demand for risk.

CURRENCY MARKETS

The dollar also advanced against the yen, building on earlier gains after Japanese Prime Minister Yukio Hatoyama accepted the resignation of the finance minister and appointed Deputy Premier Naoto Kan to succeed him. Some analysts believe Mr. Kan would favor more-active steps to weaken the yen.

"It created some uncertainty," said Matthew Strauss, senior currency strategist at RBC Capital Markets in Toronto. "On the back of that, not surprisingly, we saw some yen selling."

Europe's common currency reversed its earlier losses and climbed above $1.44 after the Institute for Supply Management's nonmanufacturing purchasing-managers' index rose to 50.1 last month from 48.7 in November. Readings above 50 indicate expanding activity.

Near midday in New York, the euro was at $1.4410 from $1.4368 late Tuesday, and at 133.45 yen from 131.73 yen. The dollar was at 92.62 yen from 91.68 yen and was fetching 1.02.80 Swiss francs, compared with 1.0335 francs. The pound was at $1.6016 from $1.5996.

The ICE Dollar Index, which tracks the dollar against a trade-weighted basket of currencies, was at 77.670 late morning from 77.612.

The euro gained significantly against the yen after the ISM report was released, and that move fed through into the euro versus the dollar, said Brian Dolan, chief currency strategist at Forex.com in Bedminster, N.J.

"Overall, it's a bit of a positive for risk appetite, and that is primarily filtering through into a stronger yen cross," he said.

Some of the dollar's gains against the yen were trimmed after the ADP private-sector jobs report for December showed a loss of 84,000 jobs, just slightly lower than the expected decline of 90,000.

Further gains by the dollar against the yen are likely, Mr. Dolan said. "The Japanese finance ministry, regardless of who is helming it, is more intent on seeing the yen weaken and preventing further yen strength," he said.

The euro rebounded after touching a low at $1.4282 after a European Central Bank member said the European Union won't come to Greece's rescue.

The comment by ECB executive board member Juergen Stark in Italy's Il Sole newspaper initially sent the euro reeling against the dollar.

Officials from the European Union were meeting with Greek authorities on Wednesday to discuss plans to reduce Greece's budget deficit to 3% of gross domestic product by 2012, from more than 12% now.

Treasury prices fall as services, jobs improve

By Min Zeng

NEW YORK—Treasury prices were lower in late morning Wednesday following a private report showing the U.S. service sector rebounded in December.

The nonmanufacturing index from the Institute for Supply Management rose to 50.1 last month from 48.7 in November, close to the forecast of 50.5 from economists in a Dow Jones Newswires survey. A reading above 50 signals expansion, while a below-50 reading means contraction.

U.S. CREDIT MARKETS

More importantly, the employment index, a precursor to Friday's nonfarm payrolls data, rose to 44 last month from 41.6 in November, showing continued improvement in the labor market. Price pressures edged even higher. The December prices index rose to 58.7 from 57.8 in November.

The report is comprised mainly of comments from service-sector companies that make up the bulk of the U.S. economy. It follows Monday's ISM report on manufacturing that showed an accelerating expansion in the factory sector, led by a large jump in new orders and production.

The selling Wednesday broke the rally in the Treasury market since the start of the week. However, losses were limited ahead of the payrolls report, which is the key economic data of the week.

In late-morning trade, the two-year note was 2/32 lower at 99 30/32 to yield 1.0319%, the 10-year note was down 16/32 at 96 13/32 to yield 3.8156%, and the 30-year bond was 1 3/32 lower at 95 12/32 to yield 4.6632%. Bond prices move inversely to their yields.

Traders were awaiting the release Wednesday afternoon of the Federal Reserve's minutes from the most recent meeting of its monetary-policy committee, in mid December. Investors will parse the release for the central bank's outlook on the economy and inflation, as well as its views on how to unwind the monetary stimulus pumped into the economy over the past two years to rescue the banking system and revitalize the economy.

FUND SCORECARD

HF Corporate Actions

Fund attempts to profit from price changes related to corporate actions. Mergers/Acquisition, bankruptcy, shifts in corporate strategy, divestiture. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 06, 2010

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
NS	**RiverNorth Capital Partners, LP**	Rivernorth Capital Management, Inc.	USD	United States	**49.69**	69.91	34.65	NS
5	**Libra Fund Ltd**	Libra Advisors LLC	USD	Cayman Isl	**44.56**	52.00	21.62	22.54
1	**Lazard World Alternative Value, Ltd.**	Lazard Asset Management	USD	United States	**36.12**	50.51	-24.32	NS
2	**Canyon Value Realization Fund LP A**	Canyon Capital Advisors LLC	USD	United States	**47.63**	46.15	1.22	6.72
5	**Libra Fund LP**	Libra Advisors LLC	USD	United States	**39.37**	44.61	19.21	23.80
3	**IBS Turnaround Fund QP**	IBS Capital LLC	USD	United States	**43.11**	43.11	1.06	10.46
NS	**Finisterre Special Situations Fund**	Finisterre USA	USD	Cayman Isl	**42.76**	43.02	1.99	NS
4	**IBS Turnaround Fund**	IBS Capital LLC	USD	United States	**42.98**	42.98	0.53	10.69
4	**IBS Opportunity Fund Ltd**	IBS Capital LLC	USD	British VI	**42.90**	42.90	-2.03	8.55
3	**Verity Invmt Partners LP**	Verity Advisors LLC	USD	United States	**43.62**	40.79	4.17	6.11

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/04	EUR	55.57	1.7	22.5	-27.1
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/05	USD	10.62	2.4	26.1	-12.6
Am Eq Blend B	US	EQ	LUX	01/05	USD	9.97	2.3	24.8	-13.5
Am Growth A	US	EQ	LUX	01/05	USD	31.82	1.9	35.4	-3.7
Am Growth AX	US	EQ	LUX	01/05	USD	34.35	1.9	36.2	-3.2
Am Growth B	US	EQ	LUX	01/05	USD	26.75	1.9	34.1	-4.7
Am Growth C	US	EQ	LUX	01/05	USD	28.79	1.9	34.8	-4.1
Am Growth I	US	EQ	LUX	01/05	USD	35.27	1.9	36.5	-3.0
Am Income A	US	BD	LUX	01/05	USD	8.48	0.6	25.9	5.5
Am Income A2	US	BD	LUX	01/05	USD	19.17	0.7	26.0	5.5
Am Income A2	OT	OT	NA	01/05	HKD	148.68	0.7	NS	NS
Am Income AT	OT	OT	NA	01/05	HKD	65.69	0.7	NS	NS
Am Income AT	US	BD	LUX	01/05	USD	8.47	0.7	26.0	5.5
Am Income B	US	BD	LUX	01/05	USD	8.48	0.6	24.9	4.7
Am Income B2	US	BD	LUX	01/05	USD	16.52	0.7	25.2	4.8
Am Income B2	OT	OT	NA	01/05	HKD	128.13	0.7	NS	NS
Am Income BT	OT	OT	NA	01/05	HKD	66.08	0.7	NS	NS
Am Income BT	US	BD	LUX	01/05	USD	8.52	0.7	25.2	4.8
Am Income C	US	BD	LUX	01/05	USD	8.48	0.6	25.3	5.0
Am Income C2	US	BD	LUX	01/05	USD	24.57	0.7	25.4	5.0
Am Income I	US	BD	LUX	01/05	USD	8.48	0.6	26.7	6.2
Am Value A	US	EQ	LUX	01/05	USD	8.68	1.8	16.0	-12.2
Am Value B	US	EQ	LUX	01/05	USD	7.99	1.8	15.0	-13.1
Am Value C	US	EQ	LUX	01/05	USD	8.68	1.8	15.6	-12.6
Am Value I	US	EQ	LUX	01/05	USD	9.34	1.7	17.0	-11.5
Emg Mkts Debt A	GL	BD	LUX	01/05	USD	15.69	0.8	44.8	8.0
Emg Mkts Debt A2	GL	BD	LUX	01/05	USD	20.29	0.9	45.1	8.0
Emg Mkts Debt AT	GL	BD	LUX	01/05	USD	15.74	0.9	45.2	8.1
Emg Mkts Debt B	GL	BD	LUX	01/05	USD	15.69	0.8	43.5	6.9
Emg Mkts Debt B2	GL	BD	LUX	01/05	USD	19.54	0.9	43.7	7.0
Emg Mkts Debt BT	GL	BD	LUX	01/05	USD	15.72	0.9	43.6	7.0
Emg Mkts Debt C	GL	BD	LUX	01/05	USD	15.69	0.8	44.2	7.5
Emg Mkts Debt C2	GL	BD	LUX	01/05	USD	19.94	0.9	44.4	7.6
Emg Mkts Debt I	GL	BD	LUX	01/05	USD	15.69	0.8	45.6	8.6
Emg Mkts Growth A	GL	EQ	LUX	01/05	USD	35.68	3.0	68.6	-11.0
Emg Mkts Growth B	GL	EQ	LUX	01/05	USD	30.24	3.0	67.0	-11.9
Emg Mkts Growth C	GL	EQ	LUX	01/05	USD	30.93	3.0	67.9	-11.4
Emg Mkts Growth I	GL	EQ	LUX	01/05	USD	39.56	3.0	70.0	-10.3
Eur Growth A	OT	OT	LUX	01/05	USD	10.25	1.6	22.9	-15.3
Eur Growth A	OT	OT	LUX	01/05	EUR	7.14	1.6	22.9	-15.3
Eur Growth B	OT	OT	LUX	01/05	EUR	6.42	1.6	21.6	-16.1
Eur Growth B	OT	OT	LUX	01/05	USD	9.22	1.6	21.6	-16.1
Eur Growth C	EU	EQ	LUX	01/05	EUR	5.41	1.5	22.4	-15.7
Eur Growth I	OT	OT	LUX	01/05	USD	11.19	1.6	23.8	-14.6
Eur Growth I	OT	OT	LUX	01/05	EUR	7.79	1.6	23.8	-14.6
Eur Income A	OT	OT	LUX	01/05	EUR	6.66	0.9	39.8	4.1
Eur Income A	OT	OT	LUX	01/05	USD	9.56	0.9	39.8	4.1
Eur Income A2	OT	OT	LUX	01/05	EUR	12.99	0.9	39.8	4.1
Eur Income A2	OT	OT	LUX	01/05	USD	18.65	0.9	39.8	4.1
Eur Income AT	EU	BD	LUX	01/05	EUR	6.65	1.1	39.9	4.2
Eur Income B	OT	OT	LUX	01/05	EUR	6.66	0.9	39.0	3.4
Eur Income B	OT	OT	LUX	01/05	USD	9.56	0.9	39.0	3.4
Eur Income B2	OT	OT	LUX	01/05	EUR	12.08	0.9	38.9	3.4
Eur Income B2	OT	OT	LUX	01/05	USD	17.35	0.9	38.9	3.4
Eur Income BT	EU	BD	LUX	01/05	EUR	6.65	0.9	38.8	3.4
Eur Income C	OT	OT	LUX	01/05	EUR	6.66	0.9	39.3	3.7
Eur Income C	OT	OT	LUX	01/05	USD	9.56	0.9	39.3	3.7
Eur Income C2	OT	OT	LUX	01/05	EUR	12.95	0.9	39.2	3.7
Eur Income C2	OT	OT	LUX	01/05	USD	18.59	0.9	39.2	3.7
Eur Income I	OT	OT	LUX	01/05	EUR	6.66	0.9	40.5	4.7
Eur Income I	OT	OT	LUX	01/05	USD	9.56	0.9	40.5	4.7
Eur Strat Value A	OT	OT	LUX	01/05	EUR	8.68	1.8	20.4	-19.2
Eur Strat Value A	OT	OT	LUX	01/05	USD	12.46	1.8	20.4	-19.2
Eur Strat Value I	OT	OT	LUX	01/05	EUR	8.89	1.7	21.4	-18.5
Eur Strat Value I	OT	OT	LUX	01/05	USD	12.77	1.7	21.4	-18.5
Eur Value A	OT	OT	LUX	01/05	EUR	9.34	1.5	23.4	-16.0
Eur Value A	OT	OT	LUX	01/05	USD	13.41	1.5	23.4	-16.0
Eur Value B	OT	OT	LUX	01/05	USD	12.33	1.5	22.2	-16.9
Eur Value B	OT	OT	LUX	01/05	EUR	8.59	1.5	22.2	-16.9
Eur Value C	OT	OT	LUX	01/05	EUR	9.03	1.6	22.9	-16.4
Eur Value C	OT	OT	LUX	01/05	USD	12.97	1.6	22.9	-16.4
Eur Value I	OT	OT	LUX	01/05	USD	15.49	1.6	24.5	-15.4
Eur Value I	OT	OT	LUX	01/05	EUR	10.79	1.6	24.5	-15.4
Gl Balanced (Euro) A	OT	OT	LUX	01/05	USD	16.71	1.5	20.2	-9.7
Gl Balanced (Euro) B	OT	OT	LUX	01/05	USD	16.28	1.5	19.1	-10.5
Gl Balanced (Euro) C	OT	OT	LUX	01/05	USD	16.58	1.5	19.9	-9.9
Gl Balanced (Euro) I	OT	OT	LUX	01/05	USD	17.03	1.5	NS	NS
Gl Balanced A	US	BA	LUX	01/05	USD	16.74	1.6	24.0	-9.2
Gl Balanced B	US	BA	LUX	01/05	USD	15.92	1.6	22.8	-10.1
Gl Balanced C	OT	OT	LUX	01/05	USD	16.50	1.6	23.7	-9.5
Gl Balanced C	OT	OT	LUX	01/05	EUR	11.49	1.6	23.7	-9.5
Gl Balanced I	US	BA	LUX	01/05	USD	17.37	1.6	25.0	-8.6
Gl Bond A	US	BD	LUX	01/05	USD	9.29	0.5	13.7	4.4
Gl Bond A2	US	BD	LUX	01/05	USD	16.10	0.6	13.5	4.4
Gl Bond A2	OT	OT	NA	01/05	HKD	124.87	0.6	13.5	4.4
Gl Bond AT	OT	OT	LUX	01/05	HKD	71.90	0.5	13.5	4.4
Gl Bond AT	US	BD	LUX	01/05	USD	9.27	0.5	13.5	4.4
Gl Bond B	US	BD	LUX	01/05	USD	9.29	0.5	12.5	3.4
Gl Bond B2	US	BD	LUX	01/05	USD	14.09	0.5	12.4	3.4
Gl Bond B2	OT	OT	NA	01/05	HKD	109.28	0.5	12.4	3.4
Gl Bond BT	OT	OT	LUX	01/05	HKD	72.21	0.5	12.4	3.4
Gl Bond BT	US	BD	LUX	01/05	USD	9.31	0.5	12.4	3.4
Gl Bond C	US	BD	LUX	01/05	USD	9.29	0.5	13.1	3.9
Gl Bond C2	US	BD	LUX	01/05	USD	13.97	0.6	13.0	3.9
Gl Bond I	US	BD	LUX	01/05	USD	9.29	0.5	14.3	5.0
Gl Conservative A	US	BA	LUX	01/05	USD	15.01	0.9	15.6	-3.6
Gl Conservative A2	US	BA	LUX	01/05	USD	17.09	0.9	16.3	-3.3
Gl Conservative B	US	BA	LUX	01/05	USD	15.00	0.9	14.8	-4.5
Gl Conservative B2	US	BA	LUX	01/05	USD	16.24	0.9	15.3	-4.3
Gl Conservative C	US	BA	LUX	01/05	USD	15.00	0.9	15.2	-4.0
Gl Conservative C2	US	BA	LUX	01/05	USD	16.72	1.0	15.9	-3.7
Gl Conservative I	US	BA	LUX	01/05	USD	15.08	0.9	16.5	-2.9
Gl Eq Blend A	GL	EQ	LUX	01/05	USD	11.93	2.3	30.0	-18.9
Gl Eq Blend B	GL	EQ	LUX	01/05	USD	11.20	2.3	28.6	-19.6
Gl Eq Blend C	GL	EQ	LUX	01/05	USD	11.72	2.3	29.4	-19.2
Gl Eq Blend I	GL	EQ	LUX	01/05	USD	12.59	2.4	31.0	-18.2
Gl Growth A	GL	EQ	LUX	01/05	USD	42.84	2.2	28.9	-19.9
Gl Growth B	GL	EQ	LUX	01/05	USD	35.76	2.2	27.7	-20.7
Gl Growth C	GL	EQ	LUX	01/05	USD	41.11	2.2	28.3	-20.3
Gl Growth I	GL	EQ	LUX	01/05	USD	47.58	2.3	30.0	-19.3
Gl High Yield A	US	BD	LUX	01/05	USD	4.38	1.2	60.8	5.1
Gl High Yield A2	US	BD	LUX	01/05	USD	9.37	1.2	60.4	5.0
Gl High Yield A2	OT	OT	NA	01/05	HKD	72.67	1.2	60.4	5.0
Gl High Yield AT	OT	OT	NA	01/05	HKD	33.58	1.2	60.6	4.9
Gl High Yield AT	US	BD	LUX	01/05	USD	4.33	1.2	60.6	4.9
Gl High Yield B	US	BD	LUX	01/05	USD	4.38	1.2	58.8	3.8
Gl High Yield B2	US	BD	LUX	01/05	USD	15.06	1.2	58.9	3.9
Gl High Yield B2	OT	OT	NA	01/05	HKD	116.81	1.2	58.9	3.9
Gl High Yield BT	OT	OT	NA	01/05	HKD	34.20	1.1	58.8	3.9
Gl High Yield BT	US	BD	LUX	01/05	USD	4.41	1.1	58.8	3.9
Gl High Yield C	US	BD	LUX	01/05	USD	4.38	1.2	59.9	4.6
Gl High Yield C2	US	BD	LUX	01/05	USD	13.89	1.2	59.8	4.5
Gl High Yield I	US	BD	LUX	01/05	USD	4.38	1.2	62.0	5.8
Gl Thematic Res. A	OT	OT	LUX	01/05	USD	15.17	3.0	71.0	-0.1
Gl Thematic Res. B	OT	OT	LUX	01/05	USD	13.27	2.9	69.3	-1.1
Gl Thematic Res. I	OT	OT	LUX	01/05	USD	16.91	2.9	72.2	0.7
Gl Value A	GL	EQ	LUX	01/05	USD	11.41	2.4	31.1	-17.8
Gl Value B	GL	EQ	LUX	01/05	USD	10.49	2.4	29.8	-18.6
Gl Value C	GL	EQ	LUX	01/05	USD	11.09	2.4	30.5	-18.1
Gl Value I	GL	EQ	LUX	01/05	USD	12.14	2.4	32.1	-17.1
Greater China A	AS	EQ	LUX	01/05	USD	41.22	3.0	52.1	-14.1
Greater China B	AS	EQ	LUX	01/05	USD	36.48	3.0	50.6	-14.9
Greater China C	AS	EQ	LUX	01/05	USD	40.70	3.0	51.4	-14.5
India Growth A	OT	OT	LUX	01/05	USD	130.00	2.4	NS	NS
India Growth AX	OT	OT	LUX	01/05	USD	113.64	2.4	88.7	-10.5
India Growth B	OT	OT	LUX	01/05	USD	136.17	2.4	NS	NS
India Growth BX	OT	OT	LUX	01/05	USD	97.12	2.4	86.8	-11.4
India Growth I	EA	EQ	LUX	01/05	USD	117.77	2.4	89.5	-10.2
Int'l Health Care A	OT	EQ	LUX	01/05	USD	137.69	0.2	17.7	-8.1
Int'l Health Care B	OT	EQ	LUX	01/05	USD	116.12	0.1	16.5	-9.1
Int'l Health Care C	OT	EQ	LUX	01/05	USD	131.95	0.2	17.2	-8.5
Int'l Health Care I	OT	EQ	LUX	01/05	USD	150.45	0.2	18.6	-7.4
Int'l Technology A	OT	EQ	LUX	01/05	USD	112.68	2.1	49.2	-7.9
Int'l Technology B	OT	EQ	LUX	01/05	USD	97.63	2.1	47.7	-8.8
Int'l Technology C	OT	EQ	LUX	01/05	USD	108.89	2.1	48.5	-8.3
Int'l Technology I	OT	EQ	LUX	01/05	USD	126.36	2.1	50.4	-7.1
Japan Eq Blend A	JP	EQ	LUX	01/05	JPY	6112.00	1.5	11.1	-19.7
Japan Eq Blend B	JP	EQ	LUX	01/05	JPY	5897.00	1.4	10.0	-20.5
Japan Eq Blend C	JP	EQ	LUX	01/05	JPY	6014.00	1.5	10.6	-20.0
Japan Growth A	JP	EQ	LUX	01/05	JPY	5935.00	1.0	4.4	-20.6
Japan Growth B	JP	EQ	LUX	01/05	JPY	5726.00	1.0	3.4	-21.4
Japan Growth C	JP	EQ	LUX	01/05	JPY	5840.00	1.0	4.0	-21.0
Japan Strat Value A	JP	EQ	LUX	01/05	JPY	6230.00	1.8	17.5	-19.2
Japan Strat Value B	JP	EQ	LUX	01/05	JPY	6016.00	1.8	16.3	-20.0
Japan Strat Value C	JP	EQ	LUX	01/05	JPY	6126.00	1.8	16.9	-19.5
Real Estate Sec. A	OT	EQ	LUX	01/05	USD	14.53	1.3	37.1	-12.5
Real Estate Sec. B	OT	EQ	LUX	01/05	USD	13.28	1.2	35.8	-13.4
Real Estate Sec. I	OT	EQ	LUX	01/05	USD	15.61	1.2	38.1	-11.8
Short Mat Dollar A	US	BD	LUX	01/05	USD	7.28	0.1	11.7	-5.8
Short Mat Dollar A2	US	BD	LUX	01/05	USD	9.82	0.3	11.8	-5.9
Short Mat Dollar AT	US	BD	LUX	01/05	USD	7.27	0.3	11.8	-5.9
Short Mat Dollar B	US	BD	LUX	01/05	USD	7.28	0.1	11.2	-6.2
Short Mat Dollar B2	US	BD	LUX	01/05	USD	9.77	0.3	11.3	-6.3
Short Mat Dollar BT	OT	OT	LUX	01/05	USD	7.29	0.3	10.7	-6.5
Short Mat Dollar C	US	BD	LUX	01/05	USD	7.28	0.1	11.2	-6.2
Short Mat Dollar C2	US	BD	LUX	01/05	USD	13.81	0.3	11.3	-6.3
Short Mat Dollar I	US	BD	LUX	01/05	USD	7.28	0.1	12.3	-5.3

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS

CREDIT PACIFIC ASSET MANAGMENT
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CPS-Master Priv Fund	GL	OT	WSM	01/01	USD	100.00	-17.7	17.7	17.2

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Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7

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Superfund Cayman*	OT	OT	CYM	12/29	USD	41.97	-49.6	-49.9	-5.7
Superfund GCT USD*	GL	EQ	LUX	12/29	USD	2220.00	-39.2	-39.6	-5.1
Superfund Green Gold A (SPC)	OT	OT	CYM	12/29	USD	973.81	-16.2	-12.7	7.7
Superfund Green Gold B (SPC)	OT	OT	CYM	12/29	USD	941.66	-30.1	-27.5	3.5
Superfund Q-AG*	OT	OT	AUT	12/29	EUR	6628.00	-24.4	-24.8	1.2

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Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9

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MARKETS

Stocks waver on data; Alcoa follows metals up

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—U.S. stocks weakened Wednesday as investors weighed reports of expansion in the U.S. nonmanufacturing sector and a smaller-than-expected increase in private-sector job losses.

The Dow Jones Industrial Average was down 9.45 points, or 0.1%, at 10562.57, as it fluctuated between slight gains and losses throughout the morning.

Alcoa was the measure's best performer, up 3.4% as metals futures climbed. **3M** and **American Express** were also strong. 3M was up 1.8%, while American Express gained 1%.

ABREAST OF THE MARKET

Kraft Foods, which had been weighing on the Dow earlier in the session, recently turned positive, up 0.4%.

The food giant said Wednesday it received acceptances for its offer from **Cadbury**'s shareholders representing just 1.52% of the U.K. confectioner's shares, as the vast majority of Cadbury's shareholders are hoping for a higher bid.

The technology-heavy Nasdaq Composite shed 0.21 point, or 0.4%, to 2300.50. The Standard & Poor's 500-share index eased 1.31 point, or 0.1%, to 1135.21.

The action came as data from Automatic Data Processing showed private-sector unemployment increased last month by less than expected. Separately, data released by the Institute for Supply Management showed the U.S. nonmanufacturing sector expanded in December, although barely.

Sonic fell 12% as its fiscal first-quarter profit fell 13%, and the drive-in restaurant chain chilled its fiscal-year expectations.

Beazer Homes dropped 11%. It reported strong growth in fiscal first-quarter orders, but the home builder also said it will sell 18 million shares and $50 million of notes.

Family Dollar climbed 12%. Its fiscal first-quarter earnings rose 14%, topping Wall Street's estimates, as fewer holiday-season markdowns and lower freight costs boosted profitability.

European Markets

Stock indexes in Europe veered between gains and losses, but U.K. retailer **Marks & Spencer** tumbled 6.8% after 13-week sales through Christmas fell short of expectations.

The pan-European Dow Jones Stoxx 600 edged up 0.1% to 257.96. Among major national indexes, the U.K. FTSE 100 slipped 0.1% to 5530.04, while the German DAX edged up fractionally to 6034.33 and the French CAC 40 inched 0.1% higher to 4017.67.

French catering-services group **Sodexo** gained 4% in Paris as it reaffirmed its targets for fiscal 2010, despite a 2.7% drop in fiscal first-quarter sales.

—Peter A. McKay and Steve Goldstein contributed to this article.

Yields in Japan rise as auction fails to inspire

By Megumi Fujikawa

TOKYO—Japanese government-bond yields rose across the curve Wednesday as an auction of 10-year debt failed to rouse buyers and Tokyo shares rose for a third consecutive session.

The benchmark 10-year yield added 0.005 percentage point to 1.33%.

BOND MARKETS

At the first government debt sale of the year, the government sold 1.998 trillion yen ($21.79 billion) of 1.3%, 10-year paper at a lowest price of 99.60, which was in line with traders' expectations. The yield was 1.345%.

The auction result was "fair" but not strong, said Keiko Onogi, a government-bond strategist at Daiwa Securities Capital Markets.

"Some dealers had been worried about [the results of] auctions since December, and investors seem to be refraining from aggressive buying of long- and superlong-zone JGBs amid lingering fears over Japan's fiscal health and supply-and-demand conditions," she said.

Some analysts said the possibility that Finance Minister Hirohisa Fujii might resign also had a slight psychological impact on demand.

Mr. Fujii was replaced after the market closed with Deputy Prime Minister Naoto Kan, who will hold both posts. Some said he appears less committed to fiscal discipline than his predecessor.

Upswing for exporters boosts key Tokyo index

By Colin Ng And Philip Vahn

Japanese shares advanced for a third straight session as exporters were boosted by weakness in the yen.

Canon rose 1.4%, **Sony** added 0.9%, and **Toyota Motor** gained 2.5% following upbeat U.S. sales figures for December.

ASIAN-PACIFIC STOCKS

"A strong likelihood now exists that the earnings outlook (for Toyota) for fiscal year to March will be revised up and that shares will remain in a high range," said Tokai Tokyo Research Center senior analyst Mamoru Kato.

Nintendo surged 7.3% after it said sales of its popular Wii game console rebounded in December and would likely exceed three million units in the month.

The Nikkei Stock Average of 225 companies climbed 0.5% to 10731.45.

Regional markets ended mostly higher Wednesday. South Korea's Kospi added 0.9% to 1705.32 and Taiwan's Taipei Weighted index was up 1.4% to 8327.62. Hong Kong's Hang Seng Index increased 0.6% to 22416.67 and Australia's S&P/ASX 200 finished flat at 4921.4.

Exporters also recorded gains in Seoul. Hynix Semiconductor jumped 5.1%, Samsung Electronics added 2.3% and **Kia Motors** added 1%.

Bae Sung-young at Hyundai Securities said foreign investors appear to see recent strength in the won as a sign the local economy is likely to recover.

In other markets, China's Shanghai Composite fell 0.9% to 3254.22 amid concerns about inflation. Singapore's Straits Times Index was up 0.3% to 2930.49.

Mining and metal stocks were boosted by stronger metals prices, with **BHP Billiton** rising 1.3% and **Rio Tinto** climbing 2.9% in Sydney, while **Yunnan Copper** added 1% in Shenzhen.

Shares of **Qantas Airways** fell 0.3% on mild profit-taking, reversing gains that it logged earlier in the session following news that the company's discount carrier **JetStar** has formed an alliance with Malaysian counterpart AirAsia, aimed at cutting costs and reducing air fares.

"In an extremely competitive environment where airlines have been under constant pressures from a number of different forces, this world-first alliance is very positive indeed," IG Markets analyst Ben Potter wrote in an email.

In Singapore, **Genting Singapore** shares fell 0.8% in afternoon trading despite news that parts of the company's Resorts World Sentosa casino-resort would open on Jan. 20.

"While we are encouraged by Genting's commitment to open the four hotels, the fact that the opening has not been finalized for major attractions and revenue generators (such as) Universal Studios and the casino may come as somewhat of a disappointment," Goldman Sachs wrote in a research report.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/06	EUR	52.77	1.2	28.6	-10.6
Industria AE	EU	EQ	DEU	01/06	EUR	73.01	2.1	27.8	-16.0
InternRent AE	EU	BD	DEU	01/06	EUR	35.35	0.4	2.6	9.2

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CAM-GTF Limited	AS	EQ	MUS	12/31	USD	274508.01	103.5	103.5	2.6

GAM

■ GAM FUND MANAGEMENT LIMITED

George's Court, 54-62 Townsend Street, Dublin 2, Ireland

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	12/29	USD	1250.91	23.4	23.4	-8.4
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/04	JPY	15780.46	1.6	68.3	2.6
GAM Asia Equity Hedge US	OT	OT	VGB	01/04	USD	294.09	1.3	68.5	4.0
GAM Asia Equity USD	OT	OT	VGB	01/05	USD	669.60	2.2	62.3	-11.7
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/05	USD	1311.62	1.9	22.1	-14.9
GAM Com Glb Bal EUR Op	US	BA	VGB	12/14	EUR	93.10	14.7	17.0	-9.9
GAM Com Glb Bal USD Op	US	BA	VGB	12/14	USD	127.31	14.7	17.0	-9.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/14	EUR	95.07	21.3	24.9	-17.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/14	USD	126.70	21.3	24.9	-17.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/14	EUR	83.88	15.0	17.9	-14.3
GAM Comp Glb Gr USD Op	US	BA	VGB	12/14	USD	126.34	15.0	17.9	-14.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/04	USD	252.47	1.5	34.9	-9.2
GAM Cross Trading Inc	OT	OT	VGB	12/14	USD	464.04	6.1	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	12/14	CHF	94.54	4.5	3.8	-6.9
GAM Diversity EUR Op	OT	OT	VGB	12/14	EUR	649.99	5.3	4.9	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	12/14	USD	78.80	9.2	8.2	NS
GAM Diversity USD Op	OT	OT	VGB	12/14	USD	682.53	5.3	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	12/14	CHF	99.84	4.4	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	12/14	EUR	139.19	4.9	4.1	-5.4
GAM Dvrsty II USD Op	OT	OT	VGB	12/14	USD	210.84	4.9	NS	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/14	EUR	115.92	4.9	4.1	-5.5
GAM DvrstyIII USD Op	OT	OT	VGB	12/14	USD	122.37	4.9	4.1	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/04	EUR	220.59	0.6	11.8	-4.2
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/04	USD	204.97	0.6	12.5	-2.6
GAM European Equity USD	OT	OT	VGB	01/04	USD	299.46	1.2	24.8	-12.7
GAM GAMCO	OT	EQ	VGB	12/31	USD	810.66	39.7	39.7	-10.7
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/29	EUR	97.29	12.8	12.9	-17.0
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/29	USD	102.58	13.3	13.5	-16.3
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/04	USD	254.02	1.2	24.4	-7.7
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/04	USD	289.88	1.1	103.0	22.0
GAM Intrst Trend II	GL	BD	VGB	12/31	USD	94.13	42.5	42.5	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	12/31	USD	251.51	57.9	57.9	-7.1
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/04	EUR	117.58	0.7	10.1	-7.4
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/04	USD	122.92	0.7	9.3	-19.2
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/04	JPY	8465.78	0.7	9.7	-18.3
GAM Japan USD	JP	EQ	VGB	01/05	USD	1128.19	2.3	8.4	-14.8
GAM Japan YEN	JP	EQ	VGB	01/05	JPY	8972.67	1.7	9.0	-20.6
GAM Money Mkt EuroOp	EU	MM	VGB	01/04	EUR	51.12	-0.2	0.0	1.6
GAM Money Mkt USD	US	MM	VGB	01/04	USD	99.92	0.0	-0.1	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/14	EUR	113.29	1.1	-0.9	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	12/14	USD	118.28	1.3	-0.8	-8.8
GAM Multi-China EUR Op	OT	OT	VGB	12/14	EUR	167.99	13.1	13.0	-8.8
GAM Multi-China USD Op	OT	OT	VGB	12/14	USD	176.61	13.7	13.6	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/14	GBP	130.34	24.6	23.9	-3.0
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/14	USD	645.36	24.6	23.9	-3.4
GAM Multi-Eur EUR Op	OT	OT	VGB	12/14	EUR	267.99	6.8	6.0	-10.3
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/14	EUR	137.89	6.7	8.6	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	12/14	USD	112.76	6.3	8.2	-11.3
GAM Multi-Eur USD Op	OT	OT	VGB	12/14	USD	466.44	6.4	5.6	-11.2
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/14	EUR	132.77	11.4	12.3	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/14	USD	216.31	11.8	13.0	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/14	EUR	142.45	4.5	4.1	-4.8
GAM Multi-Pac USD Op	OT	OT	VGB	12/14	USD	164.43	4.6	4.4	-5.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/29	USD	2636.88	69.5	75.0	9.1
GAM Sing/Malaysia	AS	EQ	VGB	01/05	USD	2574.04	0.8	50.7	-10.7
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/31	GBP	243.55	41.0	41.0	2.2
GAM Trading EUR Inc	OT	OT	VGB	12/14	EUR	323.84	5.9	5.4	6.8
GAM Trading USD Inc	OT	OT	VGB	12/14	USD	969.19	6.1	5.7	6.3
GAM Trdg II IncEUR Op	OT	OT	VGB	12/14	EUR	138.52	5.8	5.3	6.8
GAM Trdg II IncUSD Op	OT	OT	VGB	12/14	USD	314.69	6.1	5.7	6.3
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/14	EUR	146.18	5.6	5.0	6.5
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/14	USD	153.91	5.9	5.4	6.2
GAM Trdg V IncEUR Op	OT	OT	VGB	12/14	EUR	123.94	5.6	4.9	6.3
GAM Trdg V IncUSD Op	OT	OT	VGB	12/14	USD	129.08	5.8	5.4	6.1
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/14	EUR	156.35	5.7	5.2	6.5
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/14	USD	161.86	5.9	5.5	6.2
GAM USDSpecBondInc	US	BD	VGB	12/31	USD	530.00	74.3	74.3	6.4
GAM Worldwide	GL	EQ	VGB	01/04	USD	2264.59	0.3	23.6	-9.3
GAMut Investments	OT	OT	VGB	12/31	USD	7580.87	4.4	4.4	7.7

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/04	CHF	11.09	0.4	53.6	-15.3
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/04	EUR	11.95	0.3	58.2	-10.4
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/04	GBP	1.59	1.4	48.0	-1.8
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/04	USD	13.54	1.0	64.1	-11.1
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/04	EUR	101.84	0.7	17.8	-12.7
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/04	EUR	98.56	0.7	17.8	-12.7
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/04	EUR	11.21	1.9	24.1	-9.0
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/04	EUR	185.82	1.5	23.8	-11.5
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/04	EUR	169.80	1.5	23.8	-11.5
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/04	USD	16.33	2.1	28.3	-12.2
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/04	USD	14.81	2.1	28.2	-12.2
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/29	USD	5.52	17.3	18.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/04	EUR	88.74	0.9	6.3	-12.0
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/04	EUR	88.74	0.9	6.3	-12.0
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/04	JPY	929.00	0.9	6.8	-20.8
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/04	USD	11.25	1.2	4.3	-15.4
GAMStar-WorldEqUSD Acc	GL	EQ	IRL	01/04	USD	2277.42	1.8	26.5	-8.1

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Bonds Eur Hi Yld A	OT	OT	LUX	01/04	EUR	20.75	0.8	55.8	-0.9
Bonds EURO A	OT	OT	LUX	01/04	EUR	41.10	0.1	3.9	4.9
Bonds EUROPE A	OT	OT	LUX	01/05	EUR	39.10	0.0	3.0	4.1
Bonds US OppsCoreplus A	OT	OT	LUX	01/04	USD	36.81	-0.2	16.6	7.7
Bonds World A	OT	OT	LUX	01/05	USD	42.34	0.8	8.3	5.4
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/05	USD	10.66	2.3	61.5	-11.7
Eq. China A	AS	EQ	LUX	01/05	USD	24.72	2.4	53.1	-13.5
Eq. Concentrated Euroland A	OT	OT	LUX	01/05	EUR	94.69	1.9	20.0	-17.8
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/05	EUR	27.42	1.5	28.2	-15.9
Eq. Emerging Europe A	OT	OT	LUX	01/05	EUR	24.47	3.9	66.8	-24.6
Eq. Euroland A	EU	EQ	LUX	01/05	EUR	11.02	1.8	15.7	-18.8
Eq. Euroland Small Cap A	OT	OT	LUX	01/05	EUR	146.41	3.7	43.2	-9.6
Eq. EurolandCyclclsA	EU	EQ	LUX	01/04	EUR	18.10	1.7	27.3	-13.8
Eq. EurolandFinancialA	OT	EQ	LUX	01/05	EUR	11.64	2.9	32.9	-19.6
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/05	USD	9.95	2.8	57.0	-13.5
Eq. Global A	GL	EQ	LUX	01/05	USD	28.35	1.8	31.3	-12.8
Eq. Global Energy A	OT	EQ	LUX	01/05	USD	18.76	3.4	21.9	-13.4
Eq. Global Resources A	OT	OT	LUX	01/05	USD	113.44	3.9	55.9	-9.8
Eq. Gold Mines A	OT	OT	LUX	01/05	USD	31.69	4.6	56.5	-0.2
Eq. India A	OT	OT	LUX	01/05	USD	133.96	2.5	75.7	-19.5
Eq. Japan CoreAlpha A	OT	OT	LUX	01/05	JPY	7347.23	1.3	20.0	-11.2
Eq. Latin America A	OT	OT	LUX	01/04	USD	119.87	3.1	84.2	-7.8
Eq. US Lg Cap Gr A	US	EQ	LUX	01/05	USD	15.59	2.2	38.4	-10.6
Eq. US Rel Val A	US	EQ	LUX	01/05	USD	21.08	2.3	33.4	-12.0
Eq. US Sm Cap Val A	US	EQ	LUX	01/05	USD	16.42	3.0	24.1	-16.2
Money Market EURO A	EU	MM	LUX	01/05	EUR	27.40	0.0	1.0	2.6
Money Market USD A	US	MM	LUX	01/05	USD	15.83	0.0	0.5	1.6

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	01/06	USD	15.48	1.0	22.9	-11.6
American Growth AA	US	EQ	LUX	01/06	USD	0.89	1.0	22.6	-5.8
Asian Equity	AS	EQ	LUX	01/06	USD	2.52	2.2	62.9	-8.5
Asian Equity AA	AS	EQ	LUX	01/06	USD	0.81	2.2	62.3	-8.7
Asian Sm Cap Equity AA	AS	EQ	LUX	01/06	USD	1.19	1.5	90.7	-6.0
China Value A	AS	EQ	LUX	01/06	USD	7.29	2.5	62.2	-6.0
China Value AA	AS	EQ	LUX	01/06	USD	2.29	2.5	61.8	-6.2
Dragon Growth	AS	EQ	LUX	01/06	USD	1.70	3.2	63.0	-8.4
Dragon Growth AA	OT	OT	LUX	01/06	HKD	8.29	3.2	62.7	-9.5
Emg Eastrn Europe A	EU	EQ	LUX	01/06	USD	4.79	3.9	91.0	-17.9
Emg Eastrn Europe AA	EU	EQ	LUX	01/06	USD	2.06	3.9	90.7	-18.0
European Growth	EU	EQ	LUX	01/06	USD	9.27	2.0	41.6	-17.0
European Growth AA	EU	EQ	LUX	01/06	USD	0.66	2.0	41.2	-17.2
Global Contrarain AA	GL	EQ	LUX	01/06	USD	0.92	2.8	77.9	NS
Global Property AA	OT	EQ	LUX	01/06	USD	0.68	0.8	43.7	-12.6
Global Resources AA	OT	EQ	LUX	01/06	USD	1.12	3.2	50.4	-12.7
Healthcare AA	OT	EQ	LUX	01/06	USD	0.94	0.3	12.4	NS
India Equity AA	EA	EQ	LUX	01/06	USD	1.13	2.3	75.6	-19.5
International Growth	GL	EQ	LUX	01/06	USD	3.10	1.5	21.0	-14.6
International Growth AA	GL	EQ	LUX	01/06	USD	0.72	1.5	20.7	-14.8
Japanese Growth	JP	EQ	LUX	01/06	USD	2.82	1.7	9.2	-12.2
Japanese Growth AA	JP	EQ	LUX	01/06	USD	0.74	1.8	8.9	-12.4
Latin America Equity AA	GL	EQ	LUX	01/06	USD	1.33	3.2	99.6	-2.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/06	USD	1.01	0.5	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/06	USD	1.16	1.6	NS	NS
Russia Equity AA	EE	EQ	LUX	01/06	USD	0.67	7.6	120.2	-21.9
Taiwan Equity AA	AS	EQ	LUX	01/06	USD	1.10	0.4	81.4	3.6
Turkey Equity AA	EE	EQ	LUX	01/06	USD	0.80	3.8	109.2	-11.5
U.S. Bond AA	US	BD	LUX	01/06	USD	1.11	0.1	18.5	7.0
U.S. Sm Cap Equity AA	US	EQ	LUX	01/06	USD	0.84	2.2	61.6	-12.0
U.S. Special Opportunities	OT	OT	LUX	01/06	USD	0.84	0.7	75.5	1.5
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/06	USD	1.14	0.1	10.7	2.5

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	12/31	USD	127.35	120.7	120.7	-3.1

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	01/05	USD	8.16	1.7	79.7	-5.7

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR

TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	12/24	USD	966.38	2.8	-1.4	-26.9
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/31	AED	5.33	16.2	16.2	-32.4

Value Partners
Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487

*formerly known as China ABH Shares Fund									
Intel-Chin MainInd Foc	AS	EQ	CYM	12/31	USD	29.84	86.0	86.0	1.4
Intel-China Converg*	AS	EQ	CYM	12/31	USD	114.03	87.1	87.1	1.3
VP Classic - A	AS	EQ	CYM	01/05	USD	191.79	2.8	88.1	-1.2
VP CLassic - B	AS	EQ	CYM	01/05	USD	89.38	2.8	87.2	-1.7
VP High Dividend Stk	AS	EQ	CYM	01/04	USD	46.09	1.5	85.5	-0.7

yuki Yuki Management & Research Tel +81-3-5298-3277 www.yukijapan.co.jp

■ YUKI INTERNATIONAL LIMITED

Tel +44-207-269 0203 www.yukifunds.com

■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	01/06	JPY	9593.00	0.8	9.5	-22.9
YMR-N Small Cap Fund	OT	OT	IRL	01/06	JPY	6993.00	-0.3	8.3	-23.2

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	01/06	JPY	6252.00	1.6	4.0	-24.7
Yuki 77 Growth	JP	EQ	IRL	01/06	JPY	5710.00	1.2	-2.1	-30.3

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/06	JPY	6947.00	1.8	8.4	-21.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/06	JPY	7683.00	1.9	-6.5	-21.5

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/06	JPY	4766.00	2.0	3.0	-24.9
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/06	JPY	5393.00	2.8	3.3	-18.4
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/06	JPY	5087.00	-0.4	9.1	-21.4

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/06	JPY	4486.00	1.5	4.2	-28.9
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/06	JPY	4713.00	1.0	3.0	-28.8
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/06	JPY	7080.00	1.6	13.2	-23.3
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/06	JPY	8774.00	1.8	7.7	-22.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/06	JPY	6450.00	1.4	3.3	-26.1
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/06	JPY	7803.00	2.2	-2.6	-21.3
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/06	JPY	5305.00	2.2	4.9	-23.3
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/06	JPY	11741.00	1.6	4.7	-17.6
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/06	JPY	8040.00	1.0	4.9	-28.4
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/06	JPY	7105.00	-0.4	16.1	-23.3
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/06	JPY	5767.00	2.1	9.2	-19.8
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/06	JPY	2692.00	-1.2	12.2	-30.5

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	01/06	JPY	5521.00	1.8	6.7	-22.1

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	-0.11%	**2.9%**	96.1%
Japan	1.45	**2.7**	4.9
Hong Kong	0.56	**2.6**	45.1
Turkey	0.06	**2.5**	89.6
Russia	-1.81	**2.3**	111.2
Spain	0.04	**2.3**	14.7
Netherlands	-0.12	**2.2**	34.1
U.K.	0.07	**2.1**	22.5
Sweden	unch.	**2.0**	43.0
France	0.03	**2.0**	20.6
Italy	0.19	**1.6**	17.2
Canada	0.33	**1.5**	28.6
Switzerland	-0.09	**1.5**	21.1
South Africa	0.01	**1.4**	20.2
Germany	0.05	**1.3**	16.4
South Korea	0.84	**0.9**	38.7
Singapore	0.27	**0.7**	56.0
Australia	-0.29	**0.7**	29.1
China 88	-0.91	**-1.4%**	71.3

Dow Jones Regional Sector Titans

Basic Res	0.98%	**4.8%**	76.1%
EU Enlarged†-p	1.48	**3.7**	26.4
Banks	-0.18	**3.4**	37.9
Asian 50	0.69	**3.2**	28.7
Tiger 50*	1.01	**2.8**	54.0
Nordic 30 -p	-0.22	**2.4**	28.2
Global 50	0.03	**1.7**	21.6
Euro Stoxx 50 -p	-0.18	**1.6**	16.8
Stoxx 50 -p	-0.22	**1.2**	18.1
Arab 50	0.70	**0.8**	9.3

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Nintendo	Japan	Toys	$33.9	24,500	**6.85%**	-32.3%	-16.0%
Mizuho Financial Grp	Japan	Banks	26.5	174.00	**6.10**	-41.2	-80.1
Sumitomo Mitsui Finl	Japan	Banks	30.6	2,800	**5.54**	-34.0	-76.9
Mitsubishi UFJ Finl	Japan	Banks	71.0	472.00	**4.42**	-19.2	-68.3
RioZim Ltd	Australia	General Mining	43.7	78.58	**2.92**	112.2	42.0
National Australia Bk	Australia	Banks	$52.2	27.21	**-1.95%**	30.3	-31.4
Westfield Grp	Australia	Retail REITs	26.5	12.53	**-1.73**	-7.3	-38.8
QBE Ins Grp	Australia	Reinsurance	23.4	24.95	**-1.54**	-6.4	-12.6
Aus NZ Bk	Australia	Banks	51.9	22.66	**-1.48**	47.6	-18.0
Sun Hung Kai Prop	Hong Kong	Real Estate Holding Development	38.4	116.00	**-1.19**	58.9	26.2

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Seven I Hldgs Japan (Broadline Retailers)	19.4	1,987	**2.85%**	-25.2%	-47.4%
Toyota Motor Japan (Automobiles)	132.9	3,900	**2.50**	21.9	-49.3
Samsung Elec South Korea (Semiconductors)	109.5	841,000	**2.31**	60.5	45.5
Mitsubishi Japan (Industrial Suppliers)	43.1	2,428	**2.19**	72.4	13.5
PetroChina Hong Kong (Integrated Oil Gas)	27.3	10.04	**2.03**	34.8	0.9
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.5	2,646	**2.00**	0.2	-40.9
NTT DoCoMo Japan (Mobile Telecommunications)	59.8	132,300	**1.85**	-18.5	-30.4
Nippon T&T Japan (Fixed Line Telecommunications)	54.8	3,830	**1.59**	-17.8	-37.4
Takeda Pharm Japan (Pharmaceuticals)	33.6	3,930	**1.55**	-12.5	-49.4
Mitsui Japan (Industrial Suppliers)	27.3	1,394	**1.53**	32.5	-16.6
KDDI Japan (Mobile Telecommunications)	24.1	504,000	**1.51**	-11.6	-36.8
Canon Japan (Electronic Office Equipment)	53.8	4,030	**1.38**	21.8	-37.6
JFE Hldgs Japan (Iron Steel)	21.4	3,740	**1.36**	37.8	-35.3
BHP Billiton Australia (General Mining)	134.6	43.82	**1.25**	34.4	82.5
Nippon Steel Japan (Iron Steel)	25.8	379.00	**1.07**	17.7	-39.5
Japan Tobacco Japan (Tobacco)	33.6	323,500	**0.94**	10.8	-42.5
Sony Japan (Consumer Electronics)	29.6	2,744	**0.92**	19.1	-49.6
Woodside Petroleum Australia (Exploration Production)	31.8	48.40	**0.90**	24.8	37.1
Shinhan Financial Grp South Korea (Banks)	18.8	44,950	**0.78**	41.2	0.8
China Life Ins Hong Kong (Life Insurance)	37.8	39.35	**0.64**	60.9	65.0

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Tokyo Elec Power Japan (Conventional Electricity)	34.9	2,390	**0.63%**	-12.3%	-37.9%
China Mobile (HK) Hong Kong (Mobile Telecommunications)	188.2	73.40	**0.62**	-6.4	12.2
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	52.7	64.90	**0.62**	46.4	2.6
CNOOC Hong Kong (Exploration Production)	75.0	13.02	**0.62**	64.8	92.9
Commonwlth Bk of Aus Australia (Banks)	77.8	55.98	**0.50**	93.4	14.7
Hutchison Whampoa Hong Kong (Diversified Industrials)	31.1	56.50	**0.44**	28.1	-28.1
Kansai Elec Power Japan (Conventional Electricity)	22.0	2,132	**0.42**	-8.3	-32.3
Shin-Etsu Chml Japan (Specialty Chemicals)	24.7	5,380	**0.19**	16.5	-30.4
Cheung Kong Hong Kong (Real Estate Holding Development)	30.3	101.50	**0.10**	28.9	3.6
East Japan Railway Japan (Travel Tourism)	25.2	5,880	**...**	-11.2	-28.9
Panasonic Japan (Consumer Electronics)	30.1	1,344	**-0.07**	3.9	-41.3
Honda Motor Japan (Automobiles)	62.1	3,140	**-0.16**	42.1	-30.4
Woolworths Australia (Food Retailers Wholesalers)	31.4	27.91	**-0.18**	8.9	22.3
KB Fncl Group South Korea (Banks)	19.9	58,500	**-0.34**	50.0	-15.3
China Constr Bk Hong Kong (Banks)	194.7	6.72	**-0.44**	65.5	43.6
Westpac Bking Australia (Banks)	67.6	25.39	**-0.47**	50.5	6.8
Nissan Motor Japan (Automobiles)	35.2	799.00	**-0.50**	113.6	-44.1
Indl Comm Bk China Hong Kong (Banks)	69.1	6.45	**-0.62**	62.9	39.3
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	40.5	151.50	**-0.66**	144.7	2.8
POSCO South Korea (Iron Steel)	41.0	612,000	**-0.97**	42.3	113.6

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.10%	0.95%	1.6%	0.0%	8.3%
Event Driven	0.13	1.12	2.8	0.0	15.5
Equity Long/Short	-0.31	1.24	1.7	0.0	4.9

*Estimates as of 12/31/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.70	101.37%	0.01%	1.00	0.70	0.84
Eur. High Volatility: 12/1	0.96	100.19	0.01	1.76	0.96	1.37
Europe Crossover: 12/1	4.01	104.01	0.05	6.15	4.01	5.17
Asia ex-Japan IG: 12/1	0.91	100.40	0.01	1.29	0.91	1.07
Japan: 12/1	1.31	98.53	0.01	1.68	0.99	1.33

Note: Data as of January 5

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Sanyo Shinpan Fin	769	**-37**	-40	-210
Orix	251	**-20**	-14	-136
Promise	762	**-16**	-32	-231
Acom	240	**-15**	-16	-162
CNOOC	69	**-14**	...	-8
Kajima	323	**-11**	-12	-16
Taisei	360	**-8**	-9	-25
Korea Expwy	71	**-7**	-10	-4
Korea Dep Ins	69	**-7**	-3	-7
Itochu	144	**-7**	-2	-2

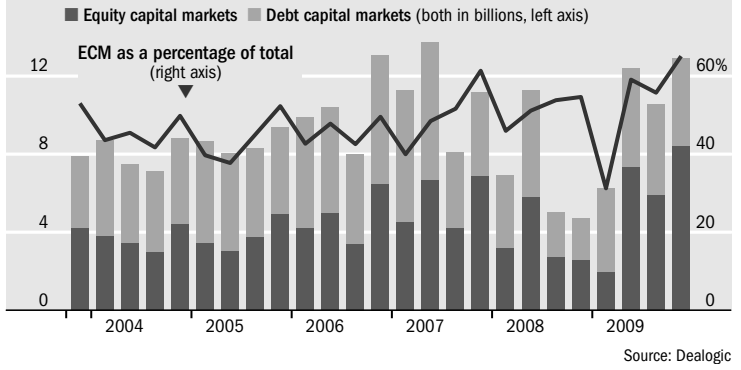
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Marubeni	208	**1**	1	8
Komatsu	38	**1**	...	-2
Mazda Mtr	200	**1**	-4	-22
IHI	328	**2**	-5	-9
Ptt Pub	90	**2**	...	5
Mitsubishi Matls	107	**2**	-2	-9
Nippon Sheet Glass	207	**3**	2	...
Wharf Hldgs	85	**3**	2	-6
Shimizu	179	**4**	2	2
Nippon Paper Inds	94	**5**	6	2

Source: Markit Group

Behind global deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**417.00**	-1.75	**-0.42%**	712.25	315.50
Soybeans (cents/bu.)	CBOT	**1053.25**	-7.75	**-0.73**	1,560.00	805.00
Wheat (cents/bu.)	CBOT	**553.00**	unch.	**unch.**	1,029.25	459.00
Live cattle (cents/lb.)	CME	**86.325**	0.950	**1.11%**	108.600	81.900
Cocoa ($/ton)	ICE-US	**3,277**	-44	**-1.32**	3,510	1,994
Coffee (cents/lb.)	ICE-US	**140.50**	-0.50	**-0.35**	188.65	115.00
Sugar (cents/lb.)	ICE-US	**28.11**	0.47	**1.70**	29.80	11.91
Cotton (cents/lb.)	ICE-US	**73.39**	0.27	**0.37**	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	**2,702.00**	20	**0.75**	3,580	1,487
Cocoa (pounds/ton)	LIFFE	**2,260**	-15	**-0.66**	2,337	1,310
Robusta coffee ($/ton)	LIFFE	**1,370**	13	**0.96**	1,710	1,300
Copper (cents/lb.)	COMEX	**347.50**	6.15	**1.80**	365.00	135.50
Gold ($/troy oz.)	COMEX	**1136.10**	18.00	**1.61**	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	**1818.50**	39.60	**2.23**	2,011.50	1,045.00
Aluminum ($/ton)	LME	**2,333.00**	53.00	**2.32**	2,333.00	1,288.00
Tin ($/ton)	LME	**17,525.00**	-10.00	**-0.06**	17,535.00	9,945.00
Copper ($/ton)	LME	**7,615.00**	135.00	**1.80**	7,615.00	3,085.00
Lead ($/ton)	LME	**2,610.00**	135.00	**5.45**	2,610.00	995.00
Zinc ($/ton)	LME	**2,649.00**	94.00	**3.68**	2,649.00	1,086.00
Nickel ($/ton)	LME	**19,045**	395	**2.12**	21,150	9,475
Crude oil ($/bbl.)	NYMEX	**82.00**	0.23	**0.28**	117.00	47.60
Heating oil ($/gal.)	NYMEX	**2.1800**	-0.0141	**-0.64**	3.5570	1.3816
RBOB gasoline ($/gal.)	NYMEX	**2.1154**	-0.0096	**-0.45**	2.1342	1.2304
Natural gas ($/mmBtu)	NYMEX	**5.883**	0.290	**5.19**	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	**80.09**	-0.50	**-0.62**	145.00	50.00
Gas oil ($/ton)	ICE-EU	**660.25**	-5.00	**-0.75**	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 6

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4795	0.1825	3.8088	0.2625
Brazil real	2.4892	0.4017	1.7303	0.5780
Canada dollar	1.4882	0.6719	1.0345	0.9667
1-mo. forward	1.4882	0.6720	1.0344	0.9667
3-mos. forward	1.4882	0.6720	1.0344	0.9667
6-mos. forward	1.4884	0.6719	1.0346	0.9666
Chile peso	713.86	0.001401	496.20	0.002015
Colombia peso	2834.79	0.0003528	1970.45	0.0005075
Ecuador US dollar-f	1.4386	0.6951	1	1
Mexico peso-a	18.3730	0.0544	12.7710	0.0783
Peru sol	4.1275	0.2423	2.8690	0.3486
Uruguay peso-e	28.126	0.0356	19.550	0.0512
U.S. dollar	1.4386	0.6951	1	1
Venezuela bolivar	3.09	0.323707	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.5691	0.6373	1.0907	0.9169
China yuan	9.8224	0.1018	6.8275	0.1465
Hong Kong dollar	11.1562	0.0896	7.7546	0.1290
India rupee	65.8686	0.0152	45.7850	0.0218
Indonesia rupiah	13300	0.0000752	9245	0.0001082
Japan yen	133.30	0.007502	92.66	0.010793
1-mo. forward	133.28	0.007503	92.65	0.010794
3-mos. forward	133.24	0.007505	92.62	0.010797
6-mos. forward	133.14	0.007511	92.54	0.010806
Malaysia ringgit-c	4.8641	0.2056	3.3810	0.2958
New Zealand dollar	1.9619	0.5097	1.3637	0.7333
Pakistan rupee	121.998	0.0082	84.800	0.0118
Philippines peso	65.998	0.0152	45.875	0.0218
Singapore dollar	2.0073	0.4982	1.3953	0.7167
South Korea won	1627.40	0.0006145	1131.20	0.0008840
Taiwan dollar	45.857	0.02181	31.875	0.03137
Thailand baht	47.670	0.02098	33.135	0.03018

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6951	1.4386
1-mo. forward	1.0000	1.0000	0.6951	1.4386
3-mos. forward	1.0002	0.9998	0.6952	1.4383
6-mos. forward	1.0006	0.9994	0.6955	1.4378
Czech Rep. koruna-b	26.329	0.0380	18.302	0.0546
Denmark krone	7.4408	0.1344	5.1721	0.1933
Hungary forint	268.67	0.003722	186.75	0.005355
Norway krone	8.1895	0.1221	5.6925	0.1757
Poland zloty	4.0973	0.2441	2.8481	0.3511
Russia ruble-d	42.968	0.02327	29.867	0.03348
Sweden krona	10.2036	0.0980	7.0925	0.1410
Switzerland franc	1.4812	0.6751	1.0296	0.9713
1-mo. forward	1.4810	0.6752	1.0294	0.9714
3-mos. forward	1.4804	0.6755	1.0290	0.9718
6-mos. forward	1.4793	0.6760	1.0283	0.9725
Turkey lira	2.1215	0.4714	1.4747	0.6781
U.K. pound	0.8994	1.1119	0.6252	1.5996
1-mo. forward	0.8996	1.1116	0.6253	1.5993
3-mos. forward	0.8999	1.1112	0.6255	1.5986
6-mos. forward	0.9005	1.1105	0.6259	1.5977
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5423	1.8438	0.3770	2.6526
Egypt pound-a	7.8442	0.1275	5.4525	0.1834
Israel shekel	5.3568	0.1867	3.7235	0.2686
Jordan dinar	1.0182	0.9821	0.7078	1.4129
Kuwait dinar	0.4128	2.4224	0.2870	3.4849
Lebanon pound	2160.85	0.0004628	1502.00	0.0006658
Saudi Arabia riyal	5.3953	0.1853	3.7503	0.2666
South Africa rand	10.5137	0.0951	7.3080	0.1368
United Arab dirham	5.2842	0.1892	3.6730	0.2723
SDR -f	0.9201	1.0869	0.6395	1.5636

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
53	**ASIA-PACIFIC**	**DJ Asia-Pacific**	126.97	0.67	**0.53%**	3.2%	32.2%
...	Australia	**SPX/ASX 200**	4921.40	-2.87	**-0.06%**	1.0	30.2
...	China	**CBN 600**	28886.91	-170.65	**-0.59**	-0.6	83.4
21	Hong Kong	**Hang Seng**	22416.67	137.09	**0.62**	2.5	49.6
20	India	**Sensex**	17701.13	14.89	**0.08**	1.4	84.6
...	Indonesia	**Jakarta Composite**	2603.297	-1.980	**-0.08**	2.7	83.1
...	Japan	**Nikkei Stock Average**	10731.45	49.62	**0.46**	1.8	16.2
...		**Topix**	931.13	11.56	**1.26**	2.6	4.8
...	Malaysia	**Kuala Lumpur Composite**	1293.17	4.93	**0.38**	1.6	39.4
...	New Zealand	**NZSX-50**	3271.568	3.380	**0.10**	1.3	18.4
9	Pakistan	**KSE 100**	9727.36	69.98	**0.72**	3.6	60.1
14	Philippines	**Manila Composite**	3039.93	11.47	**0.38**	-0.4	51.7
...	Singapore	**Straits Times**	2930.49	10.21	**0.35**	1.1	55.8
11	South Korea	**Kospi**	1705.32	14.70	**0.87**	1.3	38.9
20	Taiwan	**Weighted**	8327.62	116.22	**1.42**	1.7	73.9
10	Thailand	**SET**	735.73	3.62	**0.49**	0.2	58.9
50	**EUROPE**	**DJ Stoxx 600**	257.83	0.24	**0.09**	1.8	22.6
22		**DJ Stoxx 50**	2615.87	-1.02	**-0.04**	1.4	19.8
62	**Euro Zone**	**DJ Euro Stoxx**	280.27	0.13	**0.05%**	2.0%	20.5%
20		**DJ Euro Stoxx 50**	3007.40	-4.96	**-0.16%**	1.4	18.5
19	Denmark	**OMX Copenhagen**	324.55	1.11	**0.34**	2.8	31.1
21	Finland	**OMX Helsinki**	6633.54		**Closed**	2.7	14.7
20	France	**CAC-40**	4017.67	4.76	**0.12**	2.1	20.1
21	Germany	**DAX**	6034.33	2.47	**0.04**	1.3	22.2
17	Italy	**FTSE MIB**	23622.29	66.56	**0.28**	1.6	14.6
...	Netherlands	**AEX**	341.48	-0.54	**-0.16**	1.8	28.8
...	Russia	**RTSI**	1444.61		**Closed**		128.6
11	Spain	**IBEX 35**	12222.5	18.1	**0.15**	2.4	27.7
14	Switzerland	**SMI**	6559.41	-19.85	**-0.30**	0.2	13.8
...	Turkey	**ISE National 100**	54547.36	432.31	**0.80**	3.3	95.6
15	U.K.	**FTSE 100**	5530.04	7.54	**0.14**	2.2	22.7
22	**AMERICAS**	**DJ Americas**	302.93	0.20	**0.07**	2.2	31.9
...	Brazil	**Bovespa**	70844.90	605.09	**0.86**	3.3	74.2
...	Argentina	**Merval**	2364.05	-37.70	**-1.57**	1.9	99.7
21	Mexico	**IPC**	32906.88	174.12	**0.53**	2.4	48.2

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.10%	22	**DJ Global Index**	232.10	0.14	**0.14%**	31.9%	0.1%	-5.4%
		Global DOW	2024.11	-0.60	**-0.60**	28.7	...	-1.5
2.31		**Asia/Pacific 600**	118.14	0.24	**0.24**	21.2	0.2	-6.8
1.68	16	**Emerging Markets**	289.13	2.15	**2.15**	73.4	0.8	5.5
2.09	53	**Asia/Pacific**	126.97	0.67	**0.67**	32.2	0.5	-4.4
2.31	18	**Asia/Pacific ex-Japan**	325.38	2.46	**2.46**	67.0	0.8	2.3
2.49	24	**Southeast Asia**	164.78	1.60	**1.60**	73.7	1.0	3.3
0.82	30	**CBN China 600** -c	28886.91	-170.66	**-170.66**	83.4	-0.6	22.2
0.84	33	**Shanghai**	386.31	-2.57	**-2.57**	82.8	-0.7	22.3
0.57	47	**Shenzhen**	416.24	-0.56	**-0.56**	106.7	-0.1	29.3
2.13	20	**China Offshore 50**	4218.15	30.96	**30.96**	51.9	0.7	7.5
7.24	10	**Australia LPT** -c, d	1173.78	-18.41	**-18.41**	5.0	-1.5	-20.9
2.03%	16	**Islamic Market**	2018.33	3.56	**3.56%**	33.4%	0.2%	-0.5%
2.33	16	**Islamic Market 100**	2154.30	0.35	**0.35**	21.6	...	-1.7
9.64	15	**Bahrain**	120.69	-0.25	**-0.25**	-20.0	-0.2	-14.1
2.93	36	**Kuwait**	193.05	0.43	**0.43**	-5.6	0.2	-16.4
2.53	21	**Sustainability**	1029.90	-1.19	**-1.19**	29.5	-0.1	-6.5
2.72	50	**Stoxx 600 -p**	277.35	-0.48	**-0.48**	30.4	-0.2	-7.9
4.74	17	**Stoxx Select Div 30 -p**	1860.95	13.02	**13.02**	32.6	0.7	-19.8
3.98	23	**Euro Stoxx Sel Div 30 -p**	2205.06	13.65	**13.65**	33.6	0.6	-15.3
1.70	32	**DJ U.S. TSM**	11729.36	4.03	**4.03**	28.2	...	-6.1
4.18	15	**U.S. Select Dividend -d**	655.62	-0.09	**-0.09**	14.8	...	-9.6
4.74		**U.S. REIT**	145.54	0.42	**0.42**	24.8	0.3	-17.7
		DJ-UBS Commodity -p	142.11	-0.19	**-0.19**	15.1	-0.1	-3.5

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: DowJones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

U.S.	US$	A$ 1.091	£ 0.625	C$ 1.034	YUAN 6.827	EURO 0.695	HK$ 7.755	RUPEE 45.785	RUPIAH 9244.71	YEN 92.655	NZ$ 1.364	WON 1131.20	RINGGIT 3.381	PH. PESO 45.875	S$ 1.395	S FRANC 1.030	TW$ 31.875	BAHT 33.135
Australia	0.917		0.573	0.948	6.260	0.637	7.110	41.978	8476.01	84.951	1.250	1037.14	3.100	42.060	1.279	0.944	29.225	30.380
Britain	1.600	1.745		1.655	10.921	1.112	12.404	73.238	14787.83	148.211	2.181	1809.46	5.408	73.382	2.232	1.647	50.987	53.003
Canada	0.967	1.054	0.604		6.600	0.672	7.496	44.260	8936.83	89.569	1.318	1093.52	3.268	44.347	1.349	0.995	30.813	32.032
China	0.1465	0.160	0.092	0.152		0.102	1.136	6.706	1354.04	13.571	0.200	165.68	0.495	6.719	0.204	0.151	4.669	4.853
Euro	1.439	1.569	0.899	1.488	9.822		11.156	65.869	13299.90	133.298	1.962	1627.40	4.864	65.998	2.007	1.481	45.857	47.670
Hong Kong	0.129	0.141	0.081	0.133	0.880	0.090		5.904	1192.16	11.948	0.176	145.87	0.436	5.916	0.180	0.133	4.110	4.273
India	0.0218	0.0238	0.0137	0.0226	0.1491	0.0152	0.1694		201.92	2.0237	0.0298	24.71	0.0738	1.0020	0.0305	0.0225	0.6962	0.7237
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0100	0.0001	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0036
Japan	0.011	0.012	0.007	0.011	0.074	0.008	0.084	0.494	99.78		0.015	12.21	0.036	0.495	0.015	0.011	0.344	0.358
New Zealand	0.733	0.800	0.458	0.759	5.007	0.510	5.686	33.574	6779.14	67.944		829.51	2.479	33.640	1.023	0.755	23.374	24.298
South Korea	0.0009	0.0010	0.0006	0.0009	0.0060	0.0006	0.0069	0.0405	8.17	0.0819	0.0012		0.0030	0.0406	0.0012	0.0009	0.0282	0.0293
Malaysia	0.296	0.323	0.185	0.306	2.019	0.206	2.294	13.542	2734.31	27.405	0.403	334.57		13.568	0.413	0.305	9.428	9.800
Philippines	0.022	0.024	0.014	0.023	0.149	0.015	0.169	0.998	201.52	2.020	0.030	24.66	0.074		0.030	0.022	0.695	0.722
Singapore	0.717	0.782	0.448	0.741	4.893	0.498	5.558	32.814	6625.61	66.405	0.977	810.72	2.423	32.878		0.738	22.845	23.748
Switzerland	0.971	1.059	0.607	1.005	6.631	0.675	7.532	44.469	8978.93	89.991	1.324	1098.68	3.284	44.556	1.355		30.959	32.182
Taiwan	0.031	0.034	0.020	0.032	0.214	0.022	0.243	1.436	290.03	2.907	0.043	35.49	0.106	1.439	0.044	0.032		1.040
Thailand	0.030	0.033	0.019	0.031	0.206	0.021	0.234	1.382	279.00	2.796	0.041	34.14	0.102	1.384	0.042	0.031	0.962	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 06, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	305.89	0.39%	**34.4%**	34.4%
2.40	28	**World (Developed Markets)**	1,192.89	0.29	**29.6**	29.6
1.80	117	**World Small Cap**	195.19	0.44	**45.4**	45.4
2.50	23	**Kokusai (World ex-Japan)**	1,182.66	0.18	**32.5**	32.5
2.90	28	**EAFE**	1,615.85	0.30	**30.6**	30.6
2.00	20	**Emerging Markets (EM)**	1,015.26	1.07	**79.0**	79.0
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	426.20	1.30	**72.3**	72.3
2.00	24	**AC Far East ex-Japan**	459.56	1.40	**68.5**	68.5
1.70	35	**Japan**	576.06	0.43	**8.7**	8.7
1.90	21	**China**	66.61	2.78	**63.3**	63.3
0.80	40	**China A (China Domestic)**	3,374.22	0.70	**94.5**	94.5
2.60	24	**Hong Kong**	10,385.56	1.71	**58.4**	58.4
0.90	21	**India**	718.61	1.03	**94.6**	94.6
1.00	17	**Korea**	483.24	-0.33	**57.4**	57.4
2.40	20	**Malaysia**	476.65	0.98	**48.4**	48.4
2.90	18	**Singapore**	1,636.71	0.87	**64.2**	64.2
2.50	248	**Taiwan**	297.36	0.20	**71.5**	71.5
2.90	19	**Thailand**	299.33	-0.23	**61.7**	61.7
3.70	26	**Australia**	1,011.63	1.00	**32.2**	32.2
5.20	16	**New Zealand**	88.86	1.90	**17.0**	17.0
1.80	33	**US BROAD MARKET**	1,261.57	0.30	**28.4**	28.4
3.20	18	**EUROPE**	89.54	-0.03	**29.0**	29.0

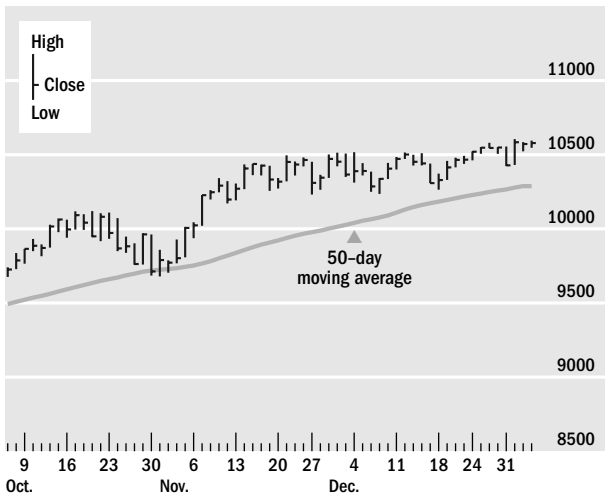
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10578.44** ▲ 6.42, or 0.06%
YEAR TO DATE: ▲ **150.39, or 1.4%**
OVER 52 WEEKS ▲ **1,808.74, or 20.6%**



Nasdaq Composite Index P/E: 49*

LAST: **2308.51** ▼ 0.20, or 0.01%
YEAR TO DATE: ▲ **39.36, or 1.7%**
OVER 52 WEEKS ▲ **709.45, or 44.4%**

S&P 500 Index P/E: 75

LAST: **1136.02** ▼ 0.50, or 0.04%
YEAR TO DATE: ▲ **20.92, or 1.9%**
OVER 52 WEEKS ▲ **229.37, or 25.3%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**13.50**	$27.77	-0.25	**-0.89%**
Alcoa	AA	**20.80**	16.64	0.51	**3.16**
AmExpress	AXP	**3.70**	41.32	0.49	**1.20**
BankAm	BAC	**81.00**	16.32	0.12	**0.76**
Boeing	BA	**3.20**	58.80	0.78	**1.34**
Caterpillar	CAT	**2.20**	59.79	0.54	**0.91**
Chevron	CVX	**4.00**	79.84	0.22	**0.28**
CiscoSys	CSCO	**16.50**	24.51	-0.07	**-0.28**
CocaCola	KO	**4.10**	56.03	-0.32	**-0.57**
Disney	DIS	**3.20**	31.90	-0.09	**-0.28**
DuPont	DD	**2.70**	34.14	0.21	**0.62**
ExxonMobil	XOM	**14.30**	69.86	0.44	**0.63**
GenElec	GE	**22.00**	15.56	0.03	**0.19**
HewlettPk	HPQ	**4.70**	52.55	-0.13	**-0.24**
HomeDpt	HD	**2.80**	28.91	0.03	**0.10**
Intel	INTC	**15.20**	20.71	-0.16	**-0.77**
IBM	IBM	**2.20**	130.39	-0.46	**-0.35**
JPMorgChas	JPM	**13.30**	43.87	0.19	**0.43**
JohnsJohns	JNJ	**4.30**	64.29	0.36	**0.56**
KftFoods	KFT	**22.60**	28.89	0.12	**0.42**
McDonalds	MCD	**2.60**	61.80	-0.50	**-0.80**
Merck	MRK	**4.80**	37.07	-0.09	**-0.25**
Microsoft	MSFT	**20.00**	30.66	-0.30	**-0.97**
Pfizer	PFE	**14.20**	18.60	-0.06	**-0.32**
ProctGamb	PG	**3.70**	60.61	-0.53	**-0.87**
3M	MMM	**2.30**	84.41	1.91	**2.32**
TravelersCos	TRV	**4.20**	47.79	-0.84	**-1.73**
UnitedTech	UTX	**1.60**	70.28	-0.28	**-0.40**
Verizon	VZ	**9.70**	32.62	-0.25	**-0.75**
WalMart	WMT	**4.90**	53.69	0.00	**0.00**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**342.5**	$3.61	$0.08	**2.27%**
FordMotor	F	**100.1**	11.35	0.39	**3.56**
BankAm	BAC	**83.0**	16.32	0.12	**0.74**
SPDR S&P 500	SPY	**48.3**	113.70	0.07	**0.06**
MesaAir	MESA	**40.0**	0.05	0.00	**-8.91**
PwrShrs QQQ	QQQQ	**37.9**	46.29	–0.13	**-0.28**
QwestComm	Q	**36.1**	4.60	0.14	**3.14**
SiriusXM	SIRI	**27.2**	0.66	–0.02	**-3.25**
Motorola	MOT	**24.7**	7.93	0.07	**0.89**
US NatGas	UNG	**24.2**	10.80	0.48	**4.65**
SPDR FnclSelSct	XLF	**23.9**	14.98	0.02	**0.13**
KftFoods	KFT	**22.8**	28.89	0.12	**0.41**
GenElec	GE	**22.4**	15.55	0.02	**0.13**
Alcoa	AA	**21.0**	16.64	0.51	**3.16**
iShrMSCIEmrgMkt	EEM	**20.9**	43.16	0.14	**0.33**

Biggest gainers...

SuperMedia	SPMD	**2.4**	$44.50	$9.50	**27.14%**
iStarFnl pfG	SFIG	**35.3**	8.85	1.40	**18.79**
WorthgtnInd	WOR	**2,572.4**	16.36	2.48	**17.87**
iStarFnl pfE	SFIE	**36.8**	9.05	1.37	**17.84**
iStarFnl pfF	SFIF	**16.4**	8.90	1.30	**17.11**

...Biggest losers

SonicCp	SONC	**4,362.1**	$8.97	-$1.28	**-12.49%**
BeazerHm	BZH	**4,651.0**	4.85	-0.57	**-10.54**
SearchMedWt	IDI%	**2.5**	2.05	-0.20	**-8.89**
PrimeRlty pfB	PGEZ	**2.6**	5.37	-0.52	**-8.83**
CFS Bcp	CITZ	**9.9**	2.95	-0.28	**-8.67**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**6,366.3**	$11.44	-0.09	**-0.78%**
4.16	1.65	**Utd Microelectronics**	UMC	**2,831.2**	4.14	0.15	**3.76**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,991.5**	5.15	0.16	**3.21**
80.88	33.09	**BHP Billiton**	BHP	**1,980.9**	80.66	1.08	**1.36**
13.26	6.25	**AU Optrncs**	AUO	**1,552.8**	13.13	0.35	**2.74**
18.64	12.59	**SK Telecom**	SKM	**680.5**	16.49	0.01	**0.06**
32.79	9.91	**Aluminum Cp of China**	ACH	**639.5**	31.96	1.36	**4.44**
59.22	40.20	**China Mobile**	CHL	**580.2**	47.49	0.30	**0.64**
57.00	22.61	**Infosys Tech**	INFY	**538.8**	55.96	-1.02	**-1.79**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**484.3**	7.19	-0.02	**-0.28**
15.95	8.56	**China Unicom**	CHU	**460.1**	13.39	0.09	**0.68**
9.50	3.96	**Nomura Hldgs**	NMR	**372.0**	7.75	0.09	**1.17**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**294.0**	25.60	0.89	**3.60**
43.95	21.23	**Canon**	CAJ	**278.0**	43.64	0.07	**0.16**
15.29	6.85	**Korea Elec Pwr**	KEP	**225.1**	14.97	-0.10	**-0.63**
81.00	37.43	**China Life Ins**	LFC	**224.6**	76.23	0.09	**0.12**
12.07	2.00	**City Telecom**	CTEL	**224.2**	11.85	0.92	**8.42**
30.82	15.64	**Sony**	SNE	**207.9**	29.89	0.01	**0.02**
19.56	15.05	**ChunghwaTel**	CHT	**196.6**	18.78	-0.04	**-0.21**
7.13	2.00	**Alumina**	AWC	**148.7**	7.12	0.15	**2.15**
27.46	14.13	**Tata Communications**	TCL	**142.5**	15.68	-0.12	**-0.76**
34.43	21.60	**Huaneng Power Intl**	HNP	**141.7**	23.89	0.47	**1.99**
4.79	1.49	**Adv Semi Engrg**	ASX	**139.2**	4.78	0.01	**0.21**
9.82	5.43	**Telecom Corp of NZ**	NZT	**138.8**	9.43	-0.08	**-0.84**
58.84	38.32	**Phlp Lng Dst Tel**	PHI	**136.9**	57.79	0.14	**0.24**
135.92	63.94	**PetroChina**	PTR	**136.4**	129.66	2.48	**1.95**
87.67	56.79	**Toyota Motor**	TM	**130.5**	84.96	1.19	**1.42**
34.79	20.28	**Honda Motor**	HMC	**118.1**	34.18	-0.27	**-0.78**
19.72	13.11	**NTT DoCoMo**	DCM	**116.3**	14.39	0.17	**1.20**
4.00	1.50	**SemiMfgInt**	SMI	**114.3**	3.74	0.10	**2.72**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

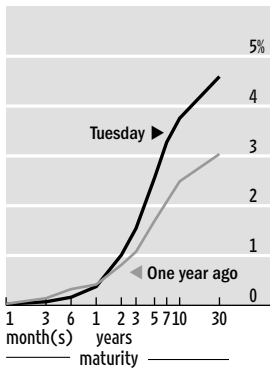
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.480%**	**344.4**	343.9	351.9	**222.2**	**4.463%**	4.366%	**3.005%**
4.500	10	**5.750**	**194.2**	193.5	195.8	**184.5**	**5.710**	5.442	**4.299**
5.000	**Austria** 2	**1.711**	**67.5**	70.1	11.2	**125.1**	**1.725**	0.959	**2.034**
3.900	10	**3.879**	**7.1**	8.2	6.0	**144.5**	**3.857**	3.544	**3.899**
3.500	**Belgium** 2	**1.097**	**6.1**	3.2	27.1	**131.1**	**1.056**	1.118	**2.094**
4.000	10	**3.742**	**-6.6**	-6.8	12.9	**149.7**	**3.707**	3.613	**3.951**
1.250	**Canada** 2	**1.403**	**36.7**	37.9	43.4	**36.3**	**1.403**	1.281	**1.146**
3.750	10	**3.617**	**-19.1**	-20.3	-16.6	**41.9**	**3.572**	3.318	**2.873**
4.000	**Denmark** 2	**2.115**	**107.9**	107.5	132.2	**192.7**	**2.099**	2.169	**2.710**
4.000	10	**3.663**	**-14.5**	-14.7	12.0	**102.3**	**3.628**	3.604	**3.477**
1.500	**France** 2	**1.183**	**14.7**	15.9	47.1	**123.1**	**1.183**	1.318	**2.014**
3.750	10	**3.605**	**-20.3**	-17.5	0.3	**117.5**	**3.600**	3.487	**3.629**
1.250	**Germany** 2	**1.307**	**27.1**	29.7	46.8	**93.7**	**1.321**	1.315	**1.720**
3.250	10	**3.380**	**-42.8**	-40.4	-27.5	**64.4**	**3.371**	3.209	**3.098**
0.550	**Hong Kong** 2	**0.729**	**-30.7**	-28.3	-51.3	**7.9**	**0.741**	0.334	**0.862**
2.160	10	**2.808**	**-100.0**	-88.2	-119.4	**-91.3**	**2.893**	2.290	**1.541**
3.750	**Italy** 2	**1.511**	**47.5**	51.0	73.4	**218.2**	**1.534**	1.581	**2.965**
4.250	10	**4.108**	**30.0**	33.4	51.2	**200.2**	**4.109**	3.996	**4.456**
0.200	**Japan** 2	**0.163**	**-87.3**	-85.5	-66.3	**-39.0**	**0.169**	0.184	**0.393**
1.300	10	**1.342**	**-246.6**	-243.7	-219.4	**-119.8**	**1.338**	1.290	**1.256**
4.000	**Netherlands** 2	**0.806**	**-23.0**	-20.4	8.0	**112.4**	**0.820**	0.927	**1.907**
4.000	10	**3.567**	**-24.1**	-22.8	-2.4	**124.5**	**3.547**	3.460	**3.699**
3.200	**Portugal** 2	**1.247**	**21.1**	30.0	42.2	**171.3**	**1.324**	1.269	**2.496**
4.750	10	**4.056**	**24.8**	27.0	27.0	**168.8**	**4.045**	3.754	**4.142**
5.350	**Spain** 2	**1.523**	**48.7**	50.2	58.1	**141.6**	**1.526**	1.428	**2.199**
4.300	10	**3.991**	**18.3**	19.1	29.6	**152.6**	**3.966**	3.780	**3.980**
2.750	**Switzerland** 2	**0.655**	**-38.1**	-38.3	-42.7	**-8.0**	**0.641**	0.420	**0.703**
2.250	10	**2.115**	**-169.3**	-166.0	-157.5	**-6.3**	**2.115**	1.909	**2.391**
3.250	**U.K.** 2	**1.308**	**27.2**	31.3	35.8	**33.0**	**1.337**	1.205	**1.113**
4.500	10	**4.050**	**24.2**	23.6	22.1	**80.5**	**4.011**	3.705	**3.259**
1.000	**U.S.** 2	**1.036**	**...**	...	...	**...**	**1.024**	0.847	**0.783**
3.375	10	**3.808**	**...**	...	...	**...**	**3.775**	3.484	**2.454**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.593%**	16.23	0.73%	0.73%	0.73%	–20.28%
10-year Treasury	**3.755**	8.25	0.71	0.71	0.71	–6.92
7 Year Treasury	**3.275**	6.20	0.74	0.74	0.74	...
Five-year Treasury	**2.558**	4.65	0.62	0.62	0.62	0.73
Ryan Index	**2.789**	6.69	0.58	0.58	0.58	–4.29
3 Year Treasury	**1.545**	2.88	0.41	0.41	0.41	1.84
Two-year Treasury	**1.008**	1.96	0.28	0.28	0.28	1.67
1 Year Treasury	**0.376**	0.94	0.07	0.07	0.07	1.09
Six-month Treasury	**0.162**	0.50	0.02	0.02	0.02	0.66
Ryan Cash Index-a	**0.159**	0.44	0.02	0.02	0.02	0.57
Three-month bill	**0.071**	0.25	...	...	...	0.38
One-month bill	**0.025**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.53**	0.52
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23219%**	0.40625%
Three month	**0.25000**	1.39750
Six month	**0.42563**	1.75000
One year	**0.96031**	1.99500

	Latest	52 wks ago
Euro Libor		
One month	**0.41375%**	2.47000%
Three month	**0.65000**	2.75563
Six month	**0.96750**	2.84563
One year	**1.22125**	2.93063
Hibor		
One month	**0.08000**	0.19929%
Three month	**0.14000**	0.89643
Six month	**0.28000**	1.25500
One year	**0.66857**	1.70143
Asian dollars		
One month	**0.2436%**	0.41%
Three month	**0.2586**	1.4080
Six month	**0.4370**	1.7400
One year	**0.9700**	2.0300

	Offer	Bid
Eurodollars		
One month	**0.3500%**	0.2000%
Three month	**0.3800**	0.2300
Six month	**0.4700**	0.3200
One year	**0.7500**	0.6000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.13%**	0.10%
U.K. (BBA)	**0.503**	2.058
Euro zone	**0.30**	2.12

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10731.45
▲ **0.46% or 49.62**

Toyota Motor rose after it said it sold the most cars and light trucks to U.S. consumers last year of any manufacturer for the first time. Casio fell on a rating downgrade.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**290.61**	174	10	6.10
Mtshbsh Fin Grp	**231.37**	472	20	4.42
Sanyo Elec	**77.72**	172	2	1.18
Hitachi	**73.37**	284	3	1.07
JapanAirlines	**62.04**	84	–6	–6.67

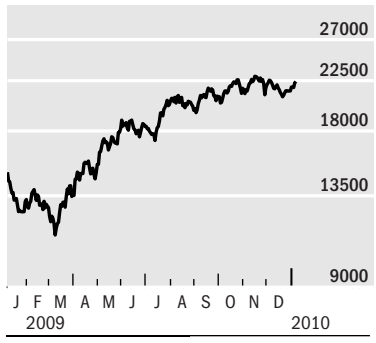
Kospi
South Korea 1705.32
▲ **0.87% or 14.70**

The index pierced 1700 for its highest close since September, as foreign investors continued to buy amid expectations of a global economic recovery.

Stock	Volume in millions	Close	Change Net	Change %
Kumho Ind	**29.88**	6,060	30	0.50
Optimus	**22.88**	170	10	6.25
Korea Data Sys	**17.77**	205	unch	...
Kumho Tire	**17.54**	3,070	5	0.16
Kec	**17.00**	1,200	70	6.19

Hang Seng
Hong Kong 22416.67
▲ **0.62% or 137.09**

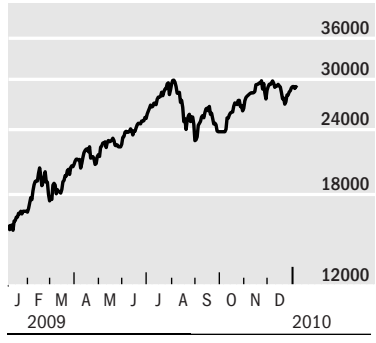
HSBC and Hong Kong Exchanges & Clearing led shares higher amid expectations the world economy will continue to recover this year. PetroChina and Cnooc also rose.



Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**382.15**	4.34	0.02	0.46
CCB	**303.72**	6.72	–0.03	–0.44
Icbc	**297.65**	6.45	–0.04	–0.62
Chalco	**191.51**	9.95	0.46	4.85
ChinaPetroChem	**166.41**	6.82	0.04	0.59

CBN 600
China 28886.91
▼ **0.59% or 170.65**

The Chalco rally continued following Monday's increase in alumina prices. China Vanke was flat after slipping Tuesday on news it suspended a stock-option plan for staffers.



Stock	Volume in millions	Close	Change Net	Change %
China State Con	**170.81**	4.59	–0.04	–0.86
ChinaMinshengBkg	**161.68**	7.91	–0.16	–1.98
United Network	**149.65**	7.23	–0.16	–2.17
CiticSecurities	**143.79**	32.44	–0.38	–1.16
ChinaVankeCoA	**135.86**	10.36	unch	...

Asian stocks in the news

Mitsubishi UFJ Finl
Japan ¥472
▲ **4.4% or ¥20**

Banks were higher across the board following a report on SMFG's capital-raising.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**22**			
Earnings per share, past four quarters	**21.20**			
Dividend yield	**2.5**			
	PERCENTAGE CHANGE			
Banks		**0.7%**	3.5%	26.7%
Mitsubishi UFJ Finl		**4.4%**	...	...

Macarthur Coal
Australia A$12.02
▲ **6.0% or A$0.68**

Resource stocks were in focus amid gains in some commodity prices.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**15**			
Earnings per share, past four quarters	**0.79**			
Dividend yield	**1.1**			
	PERCENTAGE CHANGE			
Basic Resources		**1.3%**	6.3%	64.2%
Macarthur Coal		**6.0%**	...	...

Incitec Pivot
Australia A$3.69
▲ **6.6% or A$0.23**

The firm's shares advanced amid increased optimism about the outlook for fertilizer demand.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-0.12**			
Dividend yield	**0.6**			
	PERCENTAGE CHANGE			
Chemicals		**0.7%**	3.7%	40.0%
Incitec Pivot		**6.6%**	...	...

Nintendo
Japan ¥24,500
▲ **6.8% or ¥1,570**

Shares jumped after the firm reported sales of its Wii game console rebounded in December.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**15**			
Earnings per share, past four quarters	**1623.50**			
Dividend yield	**3.9**			
	PERCENTAGE CHANGE			
Personal & Hshld Gds		**0.1%**	3.1%	17.8%
Nintendo		**6.8%**	11.2%	-32.3%

Fortescue Metals Grp
Australia A$5.20
▲ **13.0% or A$0.60**

The company surged amid increased optimism on the outlook for iron-ore prices.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**24**			
Earnings per share, past four quarters	**0.22**			
Dividend yield	**none**			
	PERCENTAGE CHANGE			
Basic Resources		**1.3%**	6.3%	64.2%
Fortescue Metals Grp		**13.0%**	...	...

JB Hi-Fi
Australia A$21.31
▼ **2.5% or A$0.55**

Shares slid amid concerns that retailers face a tough outlook for the next few months.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**24**			
Earnings per share, past four quarters	**0.88**			
Dividend yield	**1.4**			
	PERCENTAGE CHANGE			
Retail		**0.0%**	2.6%	28.9%
JB Hi-Fi		**-2.5%**	...	...

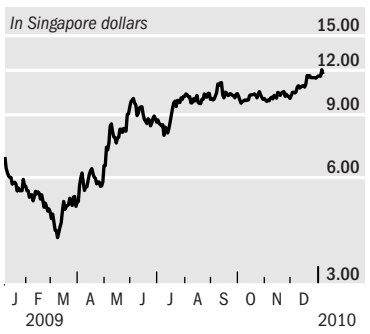
Stockland
Australia A$4.00
▼ **2.7% or A$0.11**

The residential developer fell a day after gaining on news of increased sales of detached homes.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-1.04**			
Dividend yield	**none**			
	PERCENTAGE CHANGE			
Real Estate		**-0.2%**	3.2%	33.8%
Stockland		**-2.7%**	2.6%	11.4%

City Devs
Singapore S$11.70
▼ **2.8% or S$0.34**

Shares lost ground after Kim Eng downgraded the stock's rating to hold from buy.



		Daily	1 wk.	52 wks
Price-to-earnings ratio	**21**			
Earnings per share, past four quarters	**0.55**			
Dividend yield	**0.6**			
	PERCENTAGE CHANGE			
Travel & Leisure		**-0.2%**	2.7%	10.4%
City Devs		**-2.8%**	2.1%	70.8%

James Hardie Inds
Australia A$8.16
▼ **2.9% or A$0.24**

The company's shares declined for a third consecutive trading day.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**43**			
Earnings per share, past four quarters	**0.19**			
Dividend yield	**none**			
	PERCENTAGE CHANGE			
Constructn & Matl		**1.2%**	5.1%	31.0%
James Hardie Inds		**-2.9%**	...	...

Japan Airlines
Japan ¥84
▼ **6.7% or ¥6**

Nikkei reported that the Development Bank of Japan and the Ministry of Finance support bankruptcy.

		Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-98.80**			
Dividend yield	**none**			
	PERCENTAGE CHANGE			
Travel & Leisure		**-0.2%**	2.7%	10.4%
Japan Airlines		**-6.7%**	...	...

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India's puzzling price formulas

Roses, footballs and ice cream. These are a few of the goodies India's data gatherers propose to include as they tweak how they measure inflation.

More inclusive? Sure, but that won't solve the problem of price measurement in India. In fact, some of the changes afoot could lead to a wider disconnect between price measurements and what Indians pay for day-to-day living.

The wholesale-price index—India's most widely watched inflation gauge—is measured on a basket of 400-odd goods against their prices in the 1993-94 fiscal year. The plan is to triple the size of this basket and update the base year to 2004-05.

Certainly, updating data measures that have outlived their usefulness makes sense. The problem, though, is that wholesale prices don't reflect the experience of India's average citizen.

For starters, there is a yawning gap between producer and consumer prices. The WPI, which measures what producers pay to buy goods in bulk, was negative from July through September and up nearly 5% more recently. In the same period, India's consumer-price indexes—there are actually four—rose as much as 12% each month.

Even after revision, the WPI will largely exclude prices in the services sector, which now accounts for 60% of India's gross domestic product. Neither will it capture housing costs, an important indicator for monetary policy.

Not that CPI offers economists or policy makers a compelling alternative. The data are based on benchmarks that are even more out of date, with the survey infrastructure mostly dating to the 1980s.

Plus, there is the issue of the four indexes, each meant to reflect the circumstances for a different class of citizens: industrial workers, farm laborers, rural, and urban white- and blue-collar workers. Unlike in other countries, no single index aggregates the four, though the government has plans to change this.

Put together, these jigsaw pieces create a confusing and often inaccurate picture upon which policy makers and economists must rely.

Updating the WPI is, of course, a step toward more inclusive price measurement. The new basket will give greater weight to manufactured products than food products, lessening the impact of temporary and erratic shifts in food supplies. Plus, the inclusion of more computers and electronics—the prices of which have fallen sharply since 2005—could well pull the headline rate lower.

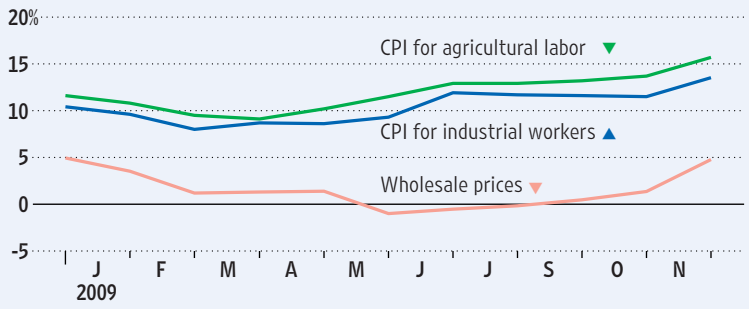
If that is the case, policy makers might welcome lower inflation numbers in daily headlines. But India's consumers won't be paying any less at the market.

—Harsh Joshi

A shopper looks at LCD televisions at an eZone retail showroom in Bangalore, India.

Hazy picture

India's many inflation gauges tell different stories.



Sources: Government of India; Bloomberg News (photo)

A triumph of faith over experience

For a red-blooded capitalist bunch, investors display a curious faith in the powers of government, both in Washington and Beijing.

November's dreadful pending U.S. home-sales data, released Tuesday, should temper such belief. Buyers held off amid uncertainty about whether tax credits, originally slated to expire Dec. 1, would be extended.

Like the temporary boost provided by "cash-for-clunkers" car incentives, home-market swings predicated on how much taxpayer money Uncle Sam happens to be doling out aren't a healthy sign.

The government's obsession with diverting capital to an overpriced housing sector won't abate in an election year. Unemployment also remains high. To expect an orderly "exit" from zero interest rates and doses of fiscal steroids represents a degree of faith in Washington that sits awkwardly with the experience of the past decade.

It is compounded by a belief that China can continue indefinitely allocating capital in a way that is both economically efficient and politically expedient for the ruling party. Yet 95% of China's economic growth in the first nine months of 2009 was concentrated in fixed-asset investment, according to Stephen Roach, chairman of Morgan Stanley Asia. China continues to build excess capacity in sectors such as steel, depressing prices and stoking protectionist fires in America and Europe.

When considering their faith in central bankers and government officials to defy larger trends indefinitely, investors might do well to consider this admission in 2007 by someone who epitomized the notion of the all-powerful mandarin, former Federal Reserve boss Alan Greenspan: "Global forces, combined with lower international trade barriers, have diminished the scope of national governments to affect the paths of their economies."

—Liam Denning

Dubai's mark of lost independence

Just five days before the opening of the world's tallest skyscraper in Dubai, organizers were informed of the shock decision to rename the building after the ruler of Abu Dhabi.

For five years, as the project climbed toward its ultimate height of 2,732 feet, it was known as the Burj Dubai. But Dubai's ruler, who took a personal interest in what was to be the ultimate symbol of the city-state's independence, has made the very public sacrifice of naming the tower after his cousin, Sheik Khalifa bin Zayed Al Nahyan.

The newly named Burj Khalifa is now a symbol of Dubai's loss of independence. But by swallowing his pride, Dubai's Sheik Mohammed may have guaranteed his emirate's economic future and given anxious investors owed more than $80 billion by the city-state reason to breathe easier.

Dubai came close to default last month until Abu Dhabi stepped in with a $10 billion bailout. Bankers are being asked to agree to a standstill on $22 billion of debt owed by government-owned conglomerate **Dubai World**.

Now, Dubai seems to have acknowledged reality: The United Arab Emirates is one country, dependent on Abu Dhabi and its vast oil wealth. Investors must hope that Sheik Khalifa, in allowing his name to be attached to the new tower, also has acknowledged Abu Dhabi's new reality, and that his support for his troubled neighbor is now nailed down.

—Andrew Critchlow

Kraft creeps closer to Cadbury, but needs more pop

On Monday, **Cadbury** investors still were salivating at the hope of two deep-pocketed suitors going head to head. By Tuesday, one pocket had gone away, and the other had gotten a lot shallower.

Swiss food company **Nestlé** bowed out of any bid after saying it would buy **Kraft Food**'s pizza business. Meanwhile, in a rare public lashing, Warren Buffett made clear that Kraft is on a short leash when it comes to paying up for Cadbury.

In a strongly worded statement, Mr. Buffett, who is Kraft's largest shareholder, with a 9.4% stake, said he wouldn't provide a "blank check" to fund a deal with Kraft shares. He has previously been skeptical of the deal, but publicly said he wouldn't allow Kraft to give away too many shares at the current price to buy Cadbury. He even embarrassed Kraft management by pointing out that it had bought back $3.6 billion of shares at about $33 each in 2007 and now wanted to issue a load of new stock at $27. Kraft shares were down 0.9% at $28.50 Wednesday morning on the New York Stock Exchange after rising 4.9% on Tuesday.

How should Kraft and Cadbury investors interpret this? On one hand, it smacks of a serious disagreement with Kraft management, suggesting that Chief Executive Irene Rosenfeld needs to judge well the final stages of the Cadbury bid to avoid falling out with her biggest shareholder. On another, it looks like bad news for Cadbury investors, as it appears to reduce significantly the chance of an unfettered Kraft board getting carried away and overpaying. On that score, it actually could be good news for Kraft, in that it sets expectations at Cadbury that are more realistic.

If Kraft now raises the bid, it likely will be in cash.

Mr. Buffett didn't actually say he was opposed to a deal. And Kraft's $3.7 billion sale of its pizza business gives it more room on top of the $1.3 billion of cash it added to the deal Tuesday, when it reduced the share component to keep the consideration unchanged. If Kraft were to use the rest of its pizza cash, it could push the per-share offer above 800 pence ($12.80) from its current offer of about 745 pence. Cadbury was trading down 1% at 771.01 pence late Wednesday.

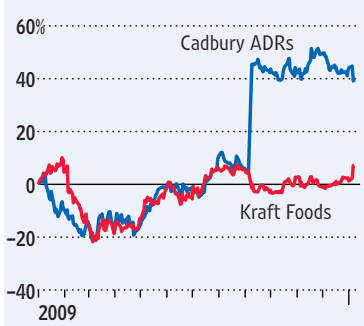
The other wild card remains **Hershey**. The smaller U.S. chocolate maker now could be emboldened to stretch itself with a counterbid. But that remains a low probability.

The big calculation for Cadbury investors is guessing where the shares would fall to without a bid on the table. Based on multiples for Nestlé and Kraft, Cadbury likely would fall below 700 pence. That makes the current Kraft bid look uncompelling. It still needs to raise the offer to win.

—Matthew Curtin and John Jannarone

Unwrapped

Percentage change since end of 2008*



* As of midday on Wednesday in New York
Source: WSJ Market Data Group

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